

1963

# Appropriateness of United States Management Philosophy in a Latin American Setting.

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McCANN, Eugene Carroll, 1933-  
APPROPRIATENESS OF UNITED STATES  
MANAGEMENT PHILOSOPHY IN A LATIN  
AMERICAN SETTING.

Louisiana State University, Ph.D., 1963  
Economics, commerce-business

University Microfilms, Inc., Ann Arbor, Michigan

APPROPRIATENESS OF UNITED STATES MANAGEMENT PHILOSOPHY  
IN A LATIN AMERICAN SETTING

A Dissertation

Submitted to the Graduate Faculty of the  
Louisiana State University and  
Agricultural and Mechanical College  
in partial fulfillment of the  
requirements for the degree of  
Doctor of Philosophy

in

The Department of Management and Marketing

by

Eugene Carroll McCann  
B.S., University of Cincinnati, 1956  
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January, 1963

## ACKNOWLEDGMENTS

The writer wishes to express his gratefulness to his major professor, Dr. Raymond V. Lesikar, Professor and Head of the Department of Management and Marketing, who gave him encouragement and understanding guidance in the preparation of this dissertation.

The writer also wishes to express his gratefulness to Dr. Robert Flammang, Assistant Professor of Economics; Dr. Leon C. Megginson, Professor of Management; Dr. Karl D. Reyer, Professor of Marketing; and Dr. William D. Ross, Professor of Economics and Dean of the College of Business Administration for their valuable suggestions and assistance while this dissertation was being written.



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## ABSTRACT .

One's philosophy of management is influenced by the attitudes and values of the culture of his society. Therefore, management philosophies likely will vary from one culture to another. The purpose of this study was to determine the appropriateness of United States management philosophy in a Latin American setting.

The analyses and comparisons presented were based mainly on secondary sources of information. In addition, however, information was secured from Americans who have lived and worked in Latin America.

The general conclusion is that United States management philosophy is not entirely appropriate and applicable in a Latin American setting because of differences in heritage and cultural attitude.

Specifically, the conclusions are:

1. To determine the appropriateness of United States management philosophy in a Latin American setting, one must become aware of certain important social and economic elements of that setting.

2. The United States and Latin America are economically interdependent. This interdependence is likely to increase in the years to come through further expansions in trade and further increases in United States direct private investments in Latin America. As United States direct private investments in Latin America increase, and as people from the United States go to Latin America to manage those investments, knowledge and understanding of the appropriateness of United States management philosophy in a Latin American setting will become more and more important.

3. Because they stemmed from different cultures, the Latin American and Anglo-American cultures differ considerably.

4. United States businessmen and management academicians believe that management is at least in part a science and therefore embodies principles which can be set down, codified, and communicated. On the other hand, Latin American businessmen feel that management is an art and, therefore, cannot be set down, codified, and communicated.

5. Inherent in the United States philosophy of management is the frequent utilization of the scientific method as a management tool. The Latin American businessman

makes little use of the scientific method because of his strong tendencies toward impatience, impetuosity, and spontaneous expression of feelings.

6. Strong feelings against monopoly powers of government, domestic business, and labor apparently are not inherent in the Latin American culture.

7. As a result of the influence of feudalism, the Catholic Church, and the role of the father in the family, employers in Latin America hold, at best, a highly paternalistic attitude toward employees. Moreover, employees expect and accept a paternalistic attitude on the part of employers. Because of the general disregard in Latin America for persons of lower classes, the commodity attitude toward labor frequently is held.

8. Recruiting and selection of management personnel are hampered by the low social status of business in Latin America.

9. Even though Latin America and Anglo America are both primarily Christian, standards of ethical behavior differ.

10. As a result of the strong influence of the Catholic Church, the military tradition, and the rigid class system,

the Latin American tends to adhere to the formal concept of managerial authority while the Anglo American tends toward the acceptance concept of managerial authority.

11. The Latin American, because of his individualistic nature, cares little for group effort or teamwork. This characteristic leads him to delegate as little authority as possible. The Anglo American tends toward group or cooperative effort and broad delegation of authority.

12. Because of differences in the social structures and the psychological elements of the cultures of Latin America and Anglo-America, many of the work motives that receive emphasis in the Anglo-American approach to human relations hold little or no appeal to Latin Americans.

## CHAPTER I

### INTRODUCTION

#### A Statement of the Problem

Management writers in the United States only recently focused their attention on the problems of managing overseas branches and subsidiaries. At first, these writers concerned themselves with the problems faced by the stateside managers who were responsible for foreign operations. As a result of the recent upsurge in United States direct private investments abroad, however, management writers have begun to take note of the many problems facing American managers serving in overseas positions. This shift in emphasis in international business literature is also the result of these writers' discovery that serving in a managerial position overseas is quite unlike serving in a supposedly similar stateside position.

While the functions and principles of management are universal, management philosophy may not be universal. For instance, the approach to solving problems of planning, organizing, and controlling and the relative desirability of

alternative solutions are greatly influenced by the heritage, customs, cultural attitudes and total environment of the people involved. These elements might make managing a business in the United States quite different from managing a similar enterprise in Latin America.

The purpose of this dissertation, therefore, is to determine the extent to which United States management philosophy is appropriate and applicable in a Latin American setting. More specifically, the hypothesis of this paper is contained in the following statement: United States management philosophy is not entirely appropriate and applicable in a Latin American setting because of differences in heritage, customs, and cultural attitudes.

#### The Scope and Method of This Research

The range of possible topics concerning international business management is considerably wider than the range of possible topics concerning domestic business management. The United States executive overseas faces all of the problems an executive in the United States faces and many more which arise from the fact that he must function in an environment which is foreign to his cultural background and experience.

The writer does not attempt to discuss every activity of the overseas executive or every management concept which

may differ. Rather, the writer will limit the discussion to the degree of applicability of United States management philosophy in a Latin American setting. Note that the writer emphasizes management differences, not management similarities.

To secure information necessary for a comprehensive analysis of this problem and to prove or disprove the stated hypothesis, the writer necessarily draws from several fields of study besides business administration and economics. The writer utilizes pertinent information in the areas of history, sociology, anthropology, psychology, and political science.

The analyses presented in this paper are based mostly on secondary sources of information. In addition, however, the writer secured information from Americans who have lived and worked in Latin America.

#### Significance of This Problem

Economic factors of United States-Latin American relations give significance to this problem. International business is no longer confined to exporting and importing activities. Overseas marketing, manufacturing, assembling, and extracting operations have grown to a level of importance equal to exporting activities. During the last ten years, United States merchandise exports have almost doubled (1950, \$10.27 billion--1960, \$20.4 billion) and United States direct

private investments have almost tripled (1950, \$11.8 billion --1960, \$32.0 billion). What is even more striking, in addition to \$20.4 billion of exports, United States businesses abroad sold approximately \$32 billion of goods and services during 1960. The total foreign sales of United States businesses, therefore, have reached \$52 billion a year. Indeed, United States businessmen are quite "international minded."

Direct private investment in Latin America is strategic in illustrating the significance of this problem. The value of foreign facilities owned by United States companies and individuals in Latin America was \$8.3 billion in 1960 excluding approximately \$2 billion in facilities expropriated by the Cuban government. One can readily see that the investments of United States companies and individuals in Latin America are extensive.

As United States direct private investments go abroad, so also do United States citizens to manage those investments. However, compared to the total number of employees of United States firms overseas, the number of American employees is very small. A 1957 study indicated that in Latin America



about 2.1 per cent of the workforce is American.<sup>1</sup> The remainder, of course, consists of persons from other foreign countries and foreign nationals.

The number of Americans employed in overseas positions belies the importance of those persons. On the whole, these Americans are employed in responsible positions--many in top-management positions. For the most part, the Americans are the decision and policy formulators of these overseas operations. While relatively few Americans are employed in Latin America, they nevertheless control most of the \$8.3 billion of United States investments in Latin America.

International management should not be the blind application or transfer of present-day United States management philosophy and concepts. Such an approach will lead easily to dismal failure abroad. Each area of the world is unique--its problems are unique--thus, the solutions to those problems are likewise unique.

#### Preview of Discussion Areas

The remainder of this paper is concerned with these topics: Background information on social conditions and

---

<sup>1</sup>Harlan Cleveland, Gerald J. Mangone, and John Clarke Adams, The Overseas Americans (New York: McGraw-Hill Book Company, Inc., 1960), pp. 102-103.

living standards in Latin America, the extent of United States-Latin American trade and United States direct private investments in Latin America, origins of the Anglo-American and Latin American cultures, differences in the elements of a management philosophy, variations in authority concepts, and dissimilarities in approaches to human relations.

The chapter concerning background information and social conditions and the chapter explaining the extent of United States-Latin American trade and United States direct private investments in Latin America emphasize current statistics to give the reader an accurate image of present-day social conditions in Latin America.

The next chapter, which is historically oriented, deals with the origins of the Anglo-American and Latin American cultures. This topic is vital to the paper because it explains why the cultures differ and why changes in cultural patterns must be gradual to be effective.

The three chapters following "Cultural Differences and Their Origins" emphasize the variations of the United States and Latin American approaches to management philosophy, managerial authority, and human relations.

In the final chapter, the writer sets forth the conclusions derived from the study and offers several suggestions

to managers (and business organizations) who may one day operate in the Latin American setting.

## CHAPTER II

### BACKGROUND INFORMATION AND A DEFINITION OF LATIN AMERICA

The American College Dictionary defines background as "the social, historical, and other antecedents which explain an event or condition." This chapter will acquaint the reader with background information on Latin America--social information, historical information, and other antecedents which will help the reader to understand some of the many complex factors which have worked to make Latin America what it is today. More specifically, to comprehend more clearly the reasons why United States management philosophy and certain United States management practices are, or are not, appropriate and applicable in a Latin American setting, the reader first must have a clear mental picture of that setting. What is the nature of this setting--this environment? What is the origin and the culture of the people; what degree of social maturity have they attained; what economic resources are available to them? These and many more questions must be answered if one hopes to even begin to grasp the nature of the environment.

Only after one develops a "feeling" for the setting or environment can he accurately focus upon one segment of that broad, complex setting. Thus, this chapter's raison d'etre is to provide the reader with an accurate image of Latin America. After this is accomplished, the reader will be better equipped to understand why United States management philosophy and certain United States management practices are appropriate, or inappropriate in that setting.

#### Geographic and Political Definitions of Latin America

The term Latin America is used commonly to designate the area from the Rio Grande southward to Cape Horn at the tip of South America. However, this massive area cannot be correctly considered a geographic unit because parts of it lie in North America, Middle America and South America.

Latin America stretches from 33° north latitude to 54° south latitude. The longitudinal expanse of Latin America is likewise impressive. It extends eastward from 117° west longitude to 30° west longitude. Except for the mainland of Middle America and a small segment of the western coast of South America, Latin America lies east of the longitude of New York City. The eastern top of Brazil lies only 2,000 miles from the shores of Africa.

The diversity of Latin America's physical environment

is profound, as Figures 1 through 5 illustrate. All the common land forms (plains, hills, plateaus and mountains) exist there. Temperature, vegetation, rainfall, and availability of mineral resources also vary greatly throughout the area.

After only a brief consideration of the diversity in physical environment, one can readily comprehend the impossibility of considering Latin America a geographic unit.

Just as Latin America cannot be considered a geographic unit, it likewise cannot correctly be considered a political unit. Latin America comprises Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. Each of these is an independent nation--each is a political unit.

Despite the fact that Latin America is made up of 20 independent nations, many people in the United States tend to blend them into one political blur. From a Latin American's viewpoint, no greater sin exists. It seems to be the custom in the United States to think of Middle America as consisting of only Mexico and Cuba and South America as consisting of only Brazil and Argentina. Dr. Alberto Lleras Camargo, former Secretary General of the Organization of American States,

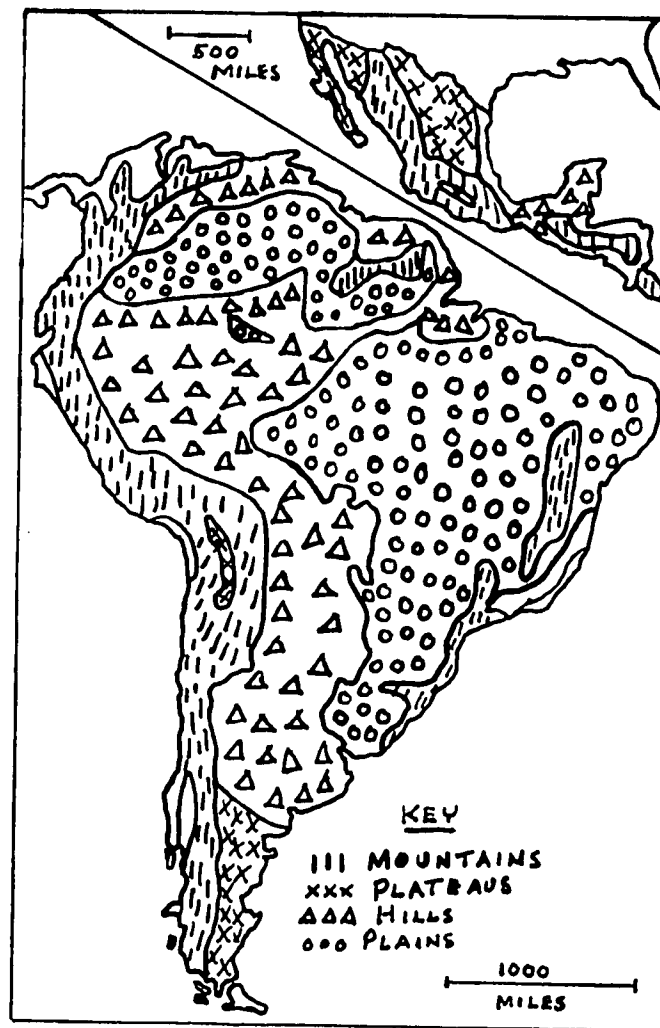
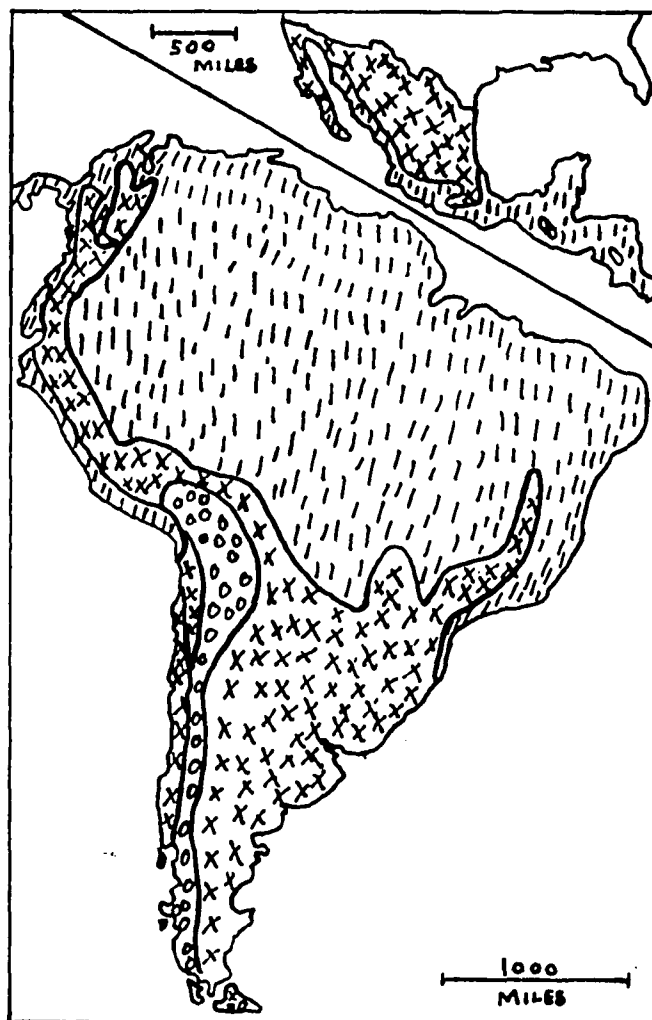


FIGURE 1

## LAND FORMS IN LATIN AMERICA

Source: George F. Deasy, Phyllis R. Greiss, et al., The World's Nations. New York: J. B. Lippincott Company, 1958.



||||| No Frost

xxxx Three to almost twelve months frost-free

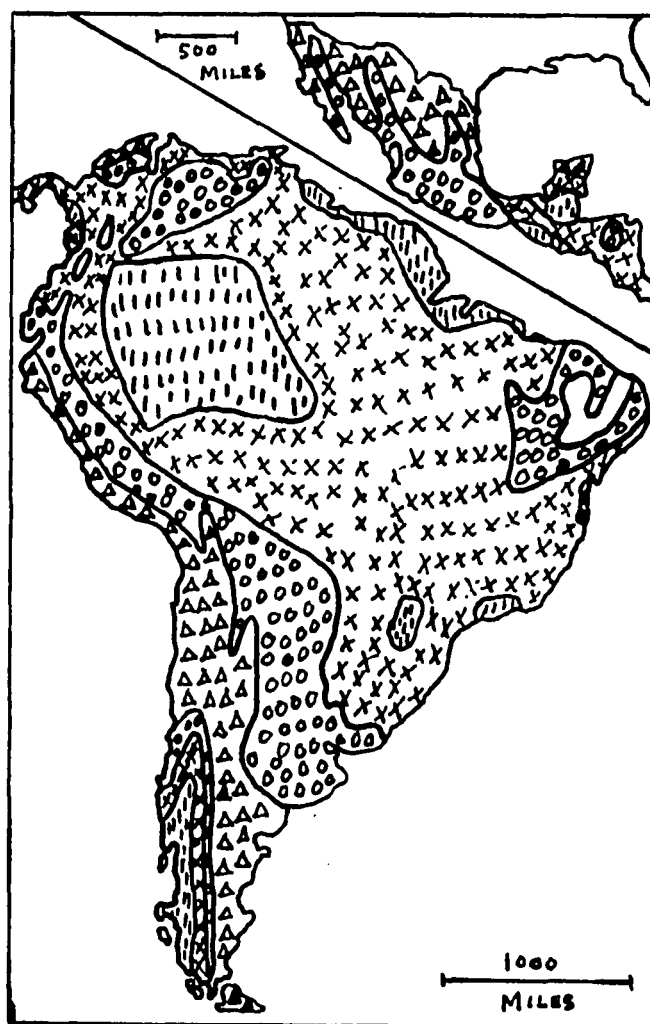
oooo Less than three months frost-free

FIGURE 2

#### LENGTH OF GROWING SEASON IN LATIN AMERICA

Source: George F. Deasy, Phyllis R. Griess, et al.,  
The World's Nations. New York: J. B. Lippincott Co., 1958.





Inches	
	Over 80
xxxxx	40 to 80
ooooo	20 to 40
ΔΔΔΔ	Below 20

FIGURE 3

## ANNUAL PRECIPITATION IN LATIN AMERICA

Source: George F. Deasy, Phyllis R. Griess, et al.,  
The World's Nations, New York: J. B. Lippincott Co., 1958.

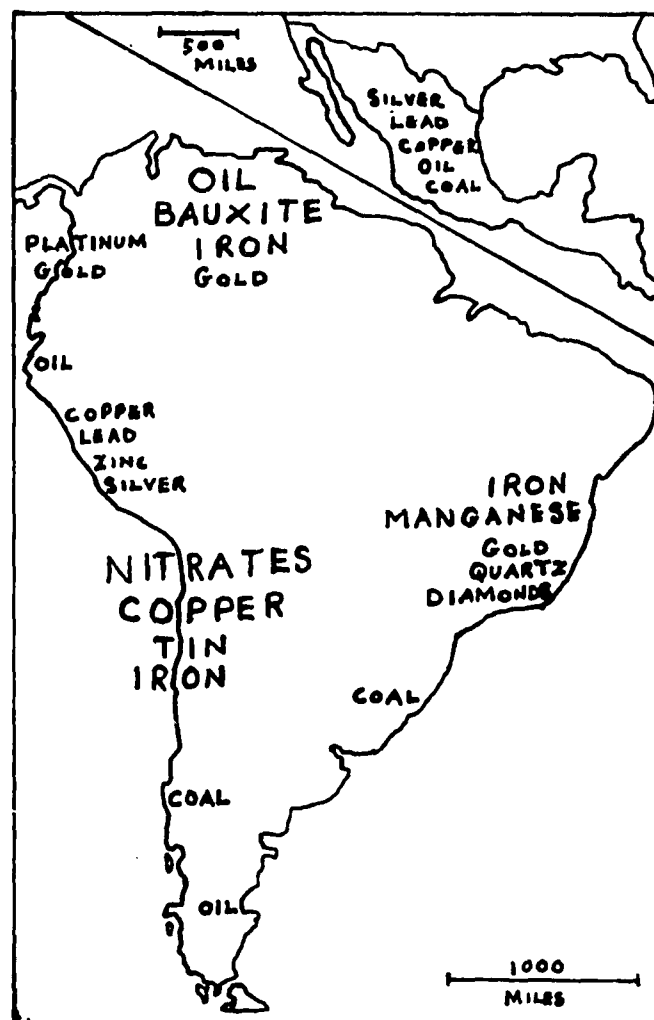


FIGURE 4

MAJOR MINERAL AREAS OF LATIN AMERICA AND  
THEIR MORE SIGNIFICANT PRODUCTS

Source: George F. Deasy, Phyllis R. Greiss, et al.,  
The World's Nations. New York: J. B. Lippincott Co., 1958.



||||| Forest  
 xxxxx Grass  
 ooooo Dryland brush

FIGURE 5

ORIGINAL NATURAL VEGETATION OF LATIN AMERICA

Source: George F. Deasy, Phyllis R. Greiss, et al.,  
The World's Nations. New York: J. B. Lippincott Co., 1958.

described the situation this way: "Outside of government circles, business organizations with local interests and certain specialized departments in universities, the United States pays scant attention to its neighbors. North of the Rio Grande general knowledge of and ideas about the southern republics are superficial or inaccurate."<sup>1</sup>

The fact that many Anglo Americans know very little about Latin America is emphasized in Dr. Milton Eisenhower's December, 1958, report to the President on United States-Latin American relations.

I now must report that misunderstandings seem to me to be even more serious than they were in 1953.

In the United States, the problem stems primarily from a lack of knowledge. We wish to be good neighbors. We want the Latin American republics to regard us as a faithful friend. But our people generally do not truly comprehend the problems and aspirations of our neighbors, and thus we sometimes take actions which are detrimental to the good relationships we wish to foster.<sup>2</sup>

Still other people in the United States commonly and incorrectly use South America interchangeably with Latin America. Considering South America to be synonymous with

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<sup>1</sup>Edward Tomlinson, Look Southward, Uncle (New York: Devin-Adair Company, 1959), p. 6..

<sup>2</sup>Edward W. Barrett and Penn P. Kimball, "The Role of the Press and Communications," The United States and Latin America (New York: The American Assembly, 1959), pp. 85-86.

Latin America is grossly inaccurate since much of Latin America lies in the northern hemisphere.

The citizens of each of the Latin American nations are proudly nationalistic and proudly American. They seldom refer to the United States as America but as the United States of North America.<sup>3</sup> They use the terms North America and North Americans when referring to this country and to its people even though these terms are inaccurate. Nevertheless, reserving the term American to describe only citizens of the United States is offensive to other Americans. Since the word America evolved from Amerigo Vespucci, the Italian navigator, it rightfully belongs to South Americans, Middle Americans, and other North Americans just as much as it belongs to United States Americans. Also, because the name was used on a map drawn in 1507 to describe the area now occupied by Brazil,<sup>4</sup> Latin Americans feel their claim to American is just as strong, if not stronger, than the claim of the United States citizens.<sup>5</sup>

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<sup>3</sup>Tomlinson, op. cit., p. 13.

<sup>4</sup>Phillip Leonard Green, Our Latin American Neighbors (New York: Hastings House, 1941), p. 6.

<sup>5</sup>The author will use the term Anglo Americans hereafter when referring to the people of the United States even though this term can be used correctly to describe Canadians.

The tendency of Anglo Americans to consider Latin America a political unit, or, continually to confuse one country with another is irritating to Latin Americans, and, understandably irritating. Just as Frenchmen, Germans, Belgians, and Norwegians resent being considered identical, or perfect substitutes, so also do Venezuelans, Brazilians, Mexicans, and the citizens of each of the other individual American nations.

While one should be at least aware of the fact that there are twenty Latin American nations and that they differ in many important respects, one also should realize that these nations closely resemble one another in many important respects. For instance, eighteen of the twenty Latin American nations share a common language--Spanish. In Brazil the official language is Portuguese and in Haiti the official language is French. One cannot correctly assume, however, that all the people in Latin America speak Spanish, Portuguese or French. Among many Indian tribes throughout Latin America, especially in outlying regions, very little Spanish is spoken. While Romance languages are by no means universally spoken, one can safely make these statements: (1) Spanish is by far the most commonly spoken language in Latin America, and (2) among the literate and among the influential segments of the

social structures, Portuguese, French, or Spanish is spoken.

In addition to sharing a common language, the Latin American nations share very similar European origins. The similarity of these origins stems from the fact that most of the expeditions to the New World were under the auspices of the Spanish and the Portuguese. Undoubtedly, the Spanish had the greatest impact on the lands and peoples of the New World. During the 16th century, for instance, 180,000 Spaniards came to the new land to explore, to conquer, to exploit, and to convert. This is an extraordinary feat considering the fact that Spain at this time had a population of approximately seven million people. Nonetheless, during the 16th century these 180,000 Spaniards explored both the Atlantic and Pacific coast lines of North America and South America, large portions of the interiors of both continents, as well as founding about 200 settlements. The impact of Spain and Portugal on the New World has endured and is the basis for the many similarities one finds among the Latin American nations. While one can readily recognize the similarities among the Latin American nations in their colonial experiences, their struggles for independence, their social structures, and their political activities, one must avoid thinking of them as being carbon copies of Spain or Portugal.

### A Cultural Definition of Latin America

The stereotype of Latin America is somewhat misleading. Several important characteristics, generally thought of as common among the Latin American nations, actually are not so common. As a matter of fact, some scholars doubt that a Latin America exists. They maintain that the area commonly called Latin America is perhaps no more Latin than Anglo America. While they admit the official language of all twenty of the Latin American republics are Romance languages, they hasten to point out that many Indians speak little or no Spanish, Portuguese, or French.

Even on the basis of race, there may be good reason to doubt the existence of a Latin America. For instance, according to one source, only one-fifth of Latin America is white --the remainder is Negro, Indian, and combinations.<sup>6</sup> These scholars further point out that in such countries as Honduras and Venezuela from 50 to 75 per cent of the population is mestizo--half Indian, half white. Haiti is almost completely Negro and the Dominican Republic is practically all mulatto.

Another characteristic which makes up the stereotype of Latin America is the notion that all Latin Americans are

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<sup>6</sup>Luis Quintanilla, A Latin American Speaks (New York: The Macmillan Company, 1943), pp. 6-7.



Roman Catholic. Nominally, all of the Latin American nations are Catholic. One must hasten to recognize, however, that many of the beliefs of Latin Americans are unorthodox. Many of the Latin American liberators and leading statesmen have been, and are, Masons. For instance, Bolivar, San Martin and O'Higgins were not Catholics--they were Masons. Still another example of nominal Catholicism is the fact that Mexico has had more presidents who were Masons than presidents who were Catholics.<sup>7</sup>

While it may be true that the large majority of Latin Americans are not Spanish, one must admit that Spain has had a tremendous impact on the cultural development of Latin America. By the same token, though not all Latin Americans are Catholics, one must admit that the Catholic Church has been an influential factor in the spiritual and cultural development of Latin America. The Catholic Church is still a powerful force in that area.

From an anthropological point of view, the Latin American nations share a common European heritage, a common religion, similar motives and behaviors, similar ways of life, similar social structures, and similar racial structures

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<sup>7</sup>Herbert Cerwin, These Are the Mexicans (New York: Reynal and Hitchcock, 1947), p. 286.

though not necessarily Spanish. These are the elements of the past and present which act to bind the Latin American nations together today. If one must generalize concerning the Latin American nations, he must admit that they have more similarities than they have dissimilarities. Though any brief definition of Latin America will be lacking in completeness, Latin America can be defined as that area of the American continents in which the official language is a Romance language.

#### A Sketch of Economic and Social Conditions

While the reader has been exposed to geographic and cultural definitions of Latin America, he has not been introduced to the specific information he needs to develop a vivid picture of Latin America. To help the reader form this definitive picture, the writer has assembled a detailed description, in tabular form, of certain areas of economic activity and social development. While this information is not vital to the achievement of the major objective of this paper, it is available to the reader, in detail, in an appendix to this chapter. Only summary material will be presented in the text.

Population. In 1960 the total population of the 20 Latin American countries was approximately 198 million. Its population exceeded that of the United States by 18 million. But, total population figures do not tell the whole story. The annual rates of population increase are probably more important and more revealing than total population. Seventeen of the 20 Latin American countries have annual rates of population increase which are larger than the annual rate of population increase of the United States. The three countries which have a lower rate of increase than the yearly 1.7 per cent of the United States are three of the smaller countries in Latin America--Uruguay, Haiti and Bolivia. The highest annual rate of increase in population, 4 per cent, is in Costa Rica.

Cost of Living. Many people in the United States picture Latin America as a "sleepy" place where things do not change rapidly. While this notion might be true in some respects, it certainly does not hold true for the cost of living. For instance, the cost of living index for Argentina in September, 1958, was at 201 (1955 = 100). One year later, in September, 1959, the cost of living index had climbed to 400, or, had almost doubled within one year. Fortunately, the meteoric rise in the cost of living in Argentina is not

typical of the other Latin American nations. Nevertheless, with the exceptions of Dominican Republic, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, and Panama, the cost of living in the Latin American nations is rising much more rapidly than the cost of living in the United States.

Newspapers. From the number of daily newspapers and their total circulation one can gain a lucid insight of how well the population is informed. For instance, in the United States in 1957, there were 1,755 daily newspapers with a total circulation of 57,805,000. The circulation per thousand people was 337. No Latin American nation even approaches this intensity of circulation. Argentina has the greatest number of daily newspapers. Her 346 dailies have a total circulation of only 3,162,000 and a circulation per thousand people of just 159. While there are several Latin American nations with only six daily newspapers, the six papers of Haiti have the smallest total circulation with only 44,000. Their circulation per thousand persons is only 25.

For all of Latin America, the daily newspaper circulation statistics are the following: number of daily newspapers, approximately 1,037; total circulation, approximately 12 million; circulation per thousand of population, 162.

Literacy Rates. Argentina's literacy rate of 87 per cent is the highest of any of the Latin American nations. The literacy rate of Haiti, 11 per cent, is the lowest. Most of the more important Latin American nations have literacy rates of around 50 per cent. By comparison, the United States literacy rate is about 98 per cent.

Radios. Another interesting yardstick of the level of living and an indication of how well the people are informed is the number of persons per radio receiver. Haiti's rate of 180 persons per radio receiver is the largest in Latin America. At the lower end of the scale is Uruguay with only four persons per radio receiver. In the United States, there are just as many radio receivers as there are people, or, 1:1.

Physicians. One revealing measure of the degree of social maturity is the number of persons per physician. Only two Latin American countries, Argentina and Uruguay, have fewer than 1,000 persons per physician. For Argentina, the number of persons per physician is 809 and for Uruguay the number of persons per physician is 868. These figures compare favorably with the United States' 792 persons per physician. The country with the greatest number of persons

per physician is Haiti with 28,533. For the other Latin American nations, the number of persons per physician varies from 2,000 to 4,000.

Capital Formation. The rate of gross domestic fixed capital formation for Latin America as a whole, as a percentage of gross domestic product, between 1951 and 1957, ranged from 17 per cent to 19.1 per cent. In the period from 1951 to 1957, Venezuela, which had the highest rate, achieved an average rate of capital formation of over 20 per cent of gross domestic product. For Latin America as a whole in 1957, the value of gross domestic fixed capital formation, at 1950 prices, reached \$10.3 billion. This represents an increase of almost \$3 billion over 1951 and an increase of \$1.6 billion over 1955.

The index of gross domestic product, for Latin America as a whole (1950 = 100), rose from 106 in 1951, to 112 in 1953, to 126 in 1955, and to a high of 134 in 1957. The high of 1957 represents a gross domestic product of \$53.8 billion.

During the period from 1951 to 1957, mining showed the greatest increase in production, on a value basis. With 1950 equalling 100, the index of mining production rose on the average of 10 points per year to a high of 172 in 1957.

During the same period, the index of manufacturing showed increases second only to mining.

Per Capita Income. The per capita income in Latin America is pitifully low. In 1955, for instance, the highest per capita income was in Venezuela--\$550. At the other extreme, in 1955, was Haiti with a per capita income of only \$74. Eleven of the 20 Latin American nations had per capita incomes of less than \$200 (1955). By way of comparison, the per capita income in the United States for 1955 was \$2,370.

These statistics are not intended to supply the reader with a complete picture of economic development and social maturity in Latin America. Rather, these data were selected to give the reader a broad, though sketchy, image of economic and social conditions in the 20 Latin American nations.

The image of Latin America that this discussion and the chapter appendix create is one of a great land mass divided into 20 nations which exhibit wide variations in climate, land forms, mineral resources, vegetation, population density, racial structure, cultural heritage, income, living conditions, and economic and social development. Nevertheless, the resemblances are more striking than these differences.<sup>8</sup>

By United States standards, most of the Latin American nations are indigent; their people lack adequate housing,

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<sup>8</sup>J. Fred Rippy, Latin America (Ann Arbor: The University of Michigan Press, 1958), p. 529.

food, clothes, and education. On the other hand, probably no other area in the free world has such vast quantities of untapped economic resources or such developmental potential. Certainly no other area of the free world has been more ignored or more misunderstood.

This image of Latin America will now serve as the setting from which the reader can view with proper perspective the nature and importance of United States-Latin American trade and United States direct private investments in Latin America.



APPENDIX TO CHAPTER II

TABLE I  
COST OF LIVING INDICES OF LATIN AMERICAN NATIONS  
FOR 1958 AND 1959 THROUGH SEPTEMBER  
(Indices: 1955 = 100)

Country	1958				1959		
	March	June	Sept.	Dec.	March	June	Sept.
Argentina	157	182	201	235	325	417	449
Bolivia	605	598	602	696	726	737	--
Brazil	158	164	171	181	213	222	242
Colombia	136	144	141	143	150	153	149
Costa Rica	106	107	106	107	107	107	105
Chile	231	247	262	279	316	345	373
Ecuador	99	97	97	97	98	98	98
El Salvador	102	101	105	103	102	102	102
Guatemala	97	103	100	100	100	100	100
Haiti	106	--	107	--	--	--	--
Honduras	96	99	98	96	99	100	97
Mexico	122	122	124	127	125	127	126
Nicaragua	91	98	93	91	91	97	91
Panama	99	100	100	100	100	100	100
Paraguay	154	148	151	153	159	163	165
Peru	120	122	125	126	130	135	146
Dominican Rep.	101	105	102	102	101	106	105
Uruguay	137	141	148	158	182	202	219
Venezuela	101	104	105	104	107	107	110

Source: Economic Bulletin of Latin America, United Nations, New York, Vol. V, No. 1, March, 1960.

TABLE II

POPULATION OF THE LATIN AMERICAN NATIONS AND OF THE  
UNITED STATES IN 1960 AND THE ANNUAL RATE OF  
INCREASE FOR THE PERIOD 1953-1958

Country	Population (000's)	Rate of Increase (Per Cent)
United States	180,329	1.7
Argentina	20,956	1.9
Bolivia	3,462	1.4
Brazil	65,743	2.4
Chile	7,627	2.5
Colombia	14,132	2.2
Costa Rica	1,171	4.0
Cuba	6,743	1.9
Dominican Republic	3,014	3.5
Ecuador	4,298	2.9
El Salvador	2,612	3.5
Guatemala	3,759	3.0
Haiti	3,505	1.2
Honduras	1,950	3.3
Mexico	34,626	2.9
Nicaragua	1,471	3.4
Panama	1,053	2.9
Paraguay	1,768	2.3
Peru	10,857	2.5
Uruguay	2,700	1.3
Venezuela	<u>6,709</u>	3.0
Total, Latin America	198,156	

Source: Population, Monthly Bulletin of Statistics, Statistical Office of the United Nations, New York, June, 1961. Rates of Increase, Demographic Yearbook, Statistical Office of the United Nations, New York, 1959.

TABLE III

INFANT MORTALITY PER 1,000 LIVE BIRTHS AND AVERAGE LIFE  
EXPECTANCY OF MALES BORN IN 1958 FOR THE LATIN  
AMERICAN NATIONS AND THE UNITED STATES\*

Country	Infant Mortality	Average Life Expectancy
United States	26.4	66.3
Argentina	61.1 (estimate)	56.9 (estimate)
Bolivia	--	49.7
Brazil	170.0 (estimate)	39.3 (estimate)
Chile	126.8	49.8
Colombia	--	--
Costa Rica	89.0	54.6
Cuba	--	--
Dominican Republic	--	--
Ecuador	--	50.3 (estimate)
El Salvador	79.3	49.9
Guatemala	103.9	43.8
Haiti	--	32.6 (estimate)
Honduras	--	--
Mexico	73.7	37.9
Nicaragua	--	--
Panama	--	60.4
Paraguay	--	--
Peru	--	46.1
Uruguay	73.0	--
Venezuela	64.6	--

\*These figures are based on the assumption of a continuation of the latest available life tables.

Source: Demographic Yearbook, Statistical Office of the United Nations, New York, 1959.

TABLE IV  
 NEWSPRINT CONSUMPTION, PER CAPITA AVERAGE, 1946-1950,  
 FOR THE LATIN AMERICAN NATIONS AND THE  
 UNITED STATES, IN KILOGRAMS

Country	Consumption
United States	31.5
Argentina	7.8
Bolivia	.8
Brazil	1.6
Chile	4.2
Colombia	1.3
Costa Rica	1.8
Cuba	4.8
Dominican Republic	.4
Ecuador	1.1
El Salvador	1.0
Guatemala	.6
Haiti	.1
Honduras	.3
Mexico	2.2
Nicaragua	.6
Panama	3.6
Paraguay	.2
Peru	1.1
Uruguay	6.5
Venezuela	1.9

Source: Monthly Bulletin of Statistics, Statistical Office of the United Nations, New York, June, 1961.

TABLE V  
BOOK PRODUCTION BY NUMBERS OF TITLES  
FOR INDICATED YEARS

Country	Number of Titles	Year
United States	12,538	1956
Argentina	2,560	1957
Bolivia	--	--
Brazil	4,650	1956
Chile	747	1957
Colombia	438	1955
Costa Rica	--	--
Cuba	467	1957
Dominican Republic	136	1957
Ecuador	--	--
El Salvador	--	--
Guatemala	105	1957
Haiti	31	1955
Honduras	91	1956
Mexico	923	1955
Nicaragua	--	--
Panama	--	--
Paraguay	--	--
Peru	506	1957
Uruguay	65	1955
Venezuela	538	1955

Source: Monthly Bulletin of Statistics, Statistical Office of the United Nations, New York, June, 1961.

TABLE VI

NUMBER OF DAILY NEWSPAPERS, TOTAL CIRCULATION, AND  
CIRCULATION PER 1,000 POPULATION IN THE LATIN  
AMERICAN NATIONS AND THE UNITED STATES  
IN INDICATED YEARS

Country	Year	Number	Total Circulation (000's)	Circulation per 1,000
United States	1957	1,755	57,805	337
Argentina	1957	346	3,162	159
Bolivia	1957	6	115	35
Brazil	1957	233	3,078	50
Chile*	1952	43	465	74
Colombia	1957	37	740	56
Costa Rica	1957	5	95	92
Cuba	1956	58	796	129
Dominican Republic	1957	6	104	44
Guatemala	1957	6	104	30
Haiti	1956	6	44	25
Mexico	1952	162	1,300	48
Nicaragua	1957	10	120	90
Panama	1957	11	120	124
Paraguay	1957	6	46	28
Peru	1957	58	750	76
Uruguay	1957	12	536	200
Venezuela	1956	32	610	102
All of Latin America		1,037	12,185	162

\*Indicates an estimate.

Source: Adapted from Monthly Bulletin of Statistics,  
Statistical Office of the United Nations, New York, June,  
1961.

TABLE VII

NUMBER OF RADIO TRANSMITTING STATIONS, RADIO RECEIVERS, AND  
APPROXIMATE NUMBER OF PERSONS PER RADIO RECEIVER IN THE  
LATIN AMERICAN NATIONS AND THE UNITED STATES  
IN INDICATED YEARS

Country	Radio Trans- mitters	Year	Radio Re- ceivers (000's)	Year	Approximate No. Persons Per Radio Receiver*
United States	3,717	1957	161,000	1958	1
Argentina	78	1958	2,900	1953	6
Bolivia	--	--	200	1957	17
Brazil	593	1955	4,570	1957	14
Chile	119	1958	650	1953	10
Colombia	--	--	800	1957	17
Costa Rica	38	1956	75	1957	14
Cuba	160	1957	1,100	1957	6
Dominican Republic	50	1958	150	1958	19
Ecuador	54	1955	100	1957	40
El Salvador	--	--	30	1957	81
Guatemala	--	--	36	1953	85
Haiti	17	1955	19	1957	180
Honduras	--	--	32	1957	57
Mexico	417	1958	2,500	1957	72
Nicaragua	--	--	35	1957	39
Panama	64	1958	120	1957	8
Paraguay	15	1955	90	1957	18
Peru	95	1958	600	1957	17
Uruguay	85	1958	700	1957	4
Venezuela	71	1958	750	1957	40

\*These figures were based on estimated population for the year indicated.

Source: Adapted from Monthly Bulletin of Statistics, Statistical Office of the United Nations, New York, June, 1961.



TABLE VIII

NUMBER OF STUDENTS IN EACH OF SEVERAL LEVELS OF SCHOOL,  
NUMBER OF SCHOOLS AT EACH LEVEL, AND THE NUMBER OF  
TEACHERS FOR EACH OF THE LEVELS IN THE LATIN  
AMERICAN NATIONS AND THE UNITED STATES  
FOR THE YEARS INDICATED

Country	Level*	Year	No. of Schools	No. of Teachers	No. of Students
United States	Pre.	1957	--	784,000	22,780,000
	Prim.		--		
	Sec.	1957	--	470,000	10,054,000
	Tech.	1957	--	--	--
	Teach.	1957	199	--	294,688
	Higher	1957	1,681	--	2,742,250
	Spec.	--	--	--	--
Argentina	Pre.	1955	1,268	3,239	68,346
	Prim.	1955	17,237	120,051	2,735,022
	Sec.	1954	459	15,948	102,742
	Tech.	1954	1,340	25,542	216,343
	Teach.	1954	316	10,882	86,009
	Higher	1957	--	--	155,631
	Spec.	--	--	--	--
Bolivia	Pre.	1956	40	--	8,461
	Prim.	1956	640	6,938 (est)	159,747
	Sec.	1956	130		31,240
	Tech.	1956	74	2,700	9,657
	Teach.	--	--	--	--
	Higher	--	--	--	--
	Spec.	--	--	--	--
Brazil	Pre.	1955	2,290**	4,338**	113,922**
	Prim.	1958	82,953**	182,602**	5,775,246**
	Sec.	1958	3,234**	49,231**	735,358**
	Tech.	1958	1,636**	19,299**	180,682**
	Teach.	1957	1,421**	11,674**	79,423**
	Higher	1958	764**	14,792	75,452**
	Spec.	--	--	--	--

TABLE VIII (CONTINUED)

Country	Level*	Year	No. of Schools	No. of Teachers	No. of Students
Chile	Pre.	1956			22,475
	Prim.	1956	6,886	24,979	1,011,429
	Sec.	1956	389	7,785	125,445
	Tech.	1954	112	--	30,988
	Teach.	1957	6	207	3,132
	Higher	1957	29	971	8,273
	Spec.	--	--	--	--
Colombia	Pre.	1957	921	2,339	47,398
	Prim.	1957	16,695	35,327	1,381,290
	Sec.	1957	787	8,787	107,627
	Tech.	1957	581	4,375	48,079
	Teach.	1957	159	1,876	16,392
	Higher	1957	128	3,259	15,971
	Spec.	1957	7	64	1,006
Costa Rica	Pre.	1957	85	130	4,312
	Prim.	1957	1,461	6,677	168,122
	Sec.	1957	47	1,409	19,434
	Tech..	1957	30	207	7,031
	Teach.	1957	5	--	2,624
	Higher	1957	2	--	2,232
	Spec.	1957	1	--	321
Cuba	Pre.	1955	--	1,980	64,341
	Prim.	1955	--	23,104	701,652
	Sec.	1956	--	1,277	35,746
	Tech.	1955	59	2,143	23,817
	Teach.	1955	34	1,508	11,128
	Higher	1955	7	975	24,273
	Spec.	1955	4	51	281
Dominican Republic	Pre.	--	--	--	--
	Prim.	1956	4,185	--	444,942
	Sec.	1956	66	--	9,510
	Tech.	1956	150	--	10,116
	Teach.	--	--	--	--
	Higher	1957	1	--	4,034
	Spec.	--	--	--	--

TABLE VIII (CONTINUED)

Country	Level*	Year	No. of Schools	No. of Teachers	No. of Students
Ecuador	Pre.	1957	84	235	9,651
	Prim.	1957	4,838	12,085	520,422
	Sec.	1956	144	2,905	29,794
	Tech.	1956	66	1,041	13,430
	Teach.	1956	22	380	5,029
	Higher	1957	7	761	6,451
	Spec.	--	--	--	--
El Salva- dor	Pre.	1957		387	13,700
	Prim.	1957	2,410	7,868	245,200
	Sec.	1957	191	--	16,605
	Tech.	1957	--	--	8,092
	Teach.	1957	13	--	1,736
	Higher	1957	--	--	1,694
	Spec.	--	--	--	--
Guatemala	Pre.	1957	53	485	16,378
	Prim.	1957	3,670	8,796	249,832
	Sec.	1957	79	1,598	14,821
	Tech.	1957	95	1,230	10,516
	Teach.	1957	--	--	3,000
	Higher	1957	1	--	3,244
	Spec.	--	--	--	--
Haiti	Pre.	--	--	--	--
	Prim.	1956	1,500**	--	200,916
	Sec.	1956	--	--	8,841
	Tech.	1956	--	--	3,433
	Teach.	1956	4	91	261
	Higher	1956	13	--	914
	Spec.	1956	1	--	107
Honduras	Pre.	1957	36	224	2,703
	Prim.	1957	2,415	4,472	147,367
	Sec.	1956		115	2,035
	Tech.	1956	50	346	5,211
	Teach.	1956		345	2,797
	Higher	1956	1	169	1,137
	Spec.	1956	1	8	35

TABLE VIII (CONTINUED)

Country	Level*	Year	No. of Schools	No. of Teachers	No. of Students
Mexico	Pre.	1955	1,294	4,459	166,884
	Prim.	1956	29,010	87,431	4,757,725
	Sec.	1955	594	11,129	101,155
	Tech.	1955	297	4,720	53,790
	Teach.	1955	112	3,644	26,015
	Higher	1957	--	--	103,485
	Spec.	--	--	--	--
Nicaragua	Pre.	--	--	--	--
	Prim.	1955	--	3,767	118,679
	Sec.	1953	39	492	3,781
	Tech.	1953	34	175	3,383
	Teach.	1953	6	84	397
	Higher	1957	1	--	912
	Spec.	--	--	--	--
Panama	Pre.	1955	--	120	3,313
	Prim.	1955	--	4,249	137,729
	Sec.	1955	--	--	26,752
	Tech.	--	--	--	--
	Teach.	--	--	--	--
	Higher	1957	1	--	2,829
	Spec.	1955	--	21	203
Paraguay	Pre.	1955	--	--	1,752
	Prim.	1957	2,049	9,914	283,454
	Sec.	1957	97	1,500	12,950
	Tech.	--	--	--	--
	Teach.	1955	29	570	3,307
	Higher	1957	1	347	3,484
	Spec.	--	--	--	--
Peru	Pre.	1955	161	509	20,895
	Prim.	1956	--	30,460	1,186,799
	Sec.	1955	348	6,366	92,098
	Tech.	1955	217	3,319	33,963
	Teach.	1955	28	--	3,463
	Higher	1955	7	2,225	16,789
	Spec.	1955	21	279	5,275

TABLE VIII (CONTINUED)

Country	Levels*	Year	No. of Schools	No. of Teachers	No. of Students
Uruguay	Pre.	1955	--	7,074	234,173
	Prim.	1955	--	7,074	234,173
	Sec.	1955	121	--	49,104
	Tech.	1955	--	--	14,651
	Teach.	1955	1	--	301
	Higher	1957	--	1,809	16,000**
	Spec.	--	--	--	--
Venezuela	Pre.	1957	--	580	16,450
	Prim.	1957	--	20,334	735,111
	Sec.	1957	--	3,337	55,194
	Tech.	1957	--	1,245	20,039
	Teach.	1957	--	890	8,606
	Higher	1957	--	1,448	10,270
	Spec.	--	--	--	--

Adapted from United Nations Statistical Yearbook,  
United Nations, New York, 1960.

TABLE IX

INDEX NUMBERS OF PER CAPITA NATIONAL PRODUCT, AT CONSTANT  
PRICES, OF THE LATIN AMERICAN NATIONS AND THE UNITED  
STATES FOR SELECTED YEARS AND GROSS NATIONAL  
PRODUCT PER CAPITA IN UNITED STATES  
DOLLARS FOR 1955  
(1953=100)

Country	1952	1954	1956	1958	GNP Per Capita
United States	97	97	103	99	\$2,370
Argentina	97	102	101	103	496
Bolivia	--	--	--	--	103
Brazil	100	105	108	113	195
Chile	95	89	87	88	303
Colombia	97	101	113	--	206
Costa Rica	--	--	--	--	235
Cuba	--	--	--	--	365
Dominican Republic	--	--	--	--	163
Ecuador	100	107	106	107	125
El Salvador	--	--	--	--	152
Guatemala	105	95	114	117	168
Haiti	--	--	--	--	74
Honduras	97	98	98	--	159
Mexico	106	105	119	--	210
Nicaragua	--	--	--	--	158
Panama	--	--	--	--	324
Paraguay	--	--	--	--	95
Peru	--	--	--	--	126
Uruguay	--	--	--	--	382
Venezuela	102	112	131	151	550

Source: The indices are adapted from United Nations Statistical Yearbook, United Nations, New York, 1959. The per capita gross national product was taken from Preston E. James, Latin America, 3rd ed., The Odyssey Press, New York, 1959.

TABLE X

RATE OF GROSS DOMESTIC FIXED CAPITAL FORMATION IN  
LATIN AMERICA AND SELECTED LATIN AMERICAN  
NATIONS AND THE UNITED STATES  
(As a Percentage of Gross Domestic Product)

Country	1951	1953	1955	1957
Latin America: Total	17.5	17.0	17.3	19.1
Argentina	24.2	20.8	22.4	24.7
Bolivia	15.6	10.1	20.5	20.0
Brazil	14.9	14.9	13.0	13.6
Colombia	18.0	22.9	23.4	21.4
Costa Rica	14.5	15.1	15.0	14.9
Cuba	12.2	10.8	16.5	18.1
Chile	8.5	9.3	10.2	7.5
Ecuador	11.1	10.6	13.2	15.5
Guatemala	11.5	15.3	20.0	25.9
Mexico	15.7	14.2	13.7	15.5
Peru	19.8	20.4	17.2	21.1
Dominican Republic	12.1	14.6	21.4	22.0
Venezuela	20.2	22.8	23.5	31.1

Source: Economic Bulletin for Latin America, United Nations, New York, Vol. III, No. 2, October, 1958.

TABLE XI  
SELECTED ECONOMIC INDICATORS FOR LATIN  
AMERICA IN INDICATED YEARS

Series	Unit	1951	1953	1955	1957
<u>Population and Manpower</u>					
Total population	Million	159.2	166.9	175.1	183.8
Annual rate of increase	Per Cent	2.4	2.4	2.4	2.5
Total employment	Million	54.4	57.1	59.9	--
<u>Employment by Sectors</u>					
Agriculture	Per Cent	52.5	51.6	50.7	--
Mining	Per Cent	1.0	1.0	1.0	--
Manufacturing and construction	Per Cent	18.3	17.8	18.4	--
Services	Per Cent	28.2	29.6	30.0	--
<u>Gross Domestic Product</u>					
Value in United States dollars at 1950 prices	Billion	42.1	44.8	50.0	53.8
Indices, total product	1950=100	106	112	126	135
Agriculture	1950=100	102	111	122	126
Mining	1950=100	110	115	136	172
Manufacturing	1950=100	109	112	131	142
Construction	1950=100	105	107	115	128
Commerce	1950=100	109	112	126	136
Transportation and communication	1950=100	106	123	139	150
Government services	1950=100	103	112	119	123
Other services	1950=100	105	111	120	131
<u>Gross Domestic Fixed Capital Formation</u>					
Value in dollars at 1950 prices	Billion	7.4	7.6	8.7	10.3

Source: Economic Bulletin for Latin America, United Nations, Department of Economics and Social Affairs, New York, Vol. III, No. 2, October, 1958.



TABLE XII  
TERMS OF TRADE OF LATIN AMERICA FOR  
SELECTED PERIODS, 1925-1956  
(1950=100)

Period	Annual Average
1925 - 1929	92.5
1930 - 1933	66.7
1934 - 1938	83.8
1939 - 1945	74.2
1946 - 1951	92.5
1952 - 1955	100.1
1955 - 1956	97.2

Source: Economic Survey of Latin America, 1957,  
United Nations, Department of Economic and Social Affairs,  
New York, 1959.

TABLE XIII

## SELECTED DATA CONCERNING THE LATIN AMERICAN NATIONS

Argentina


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Area in square miles (000's) . . . . .	1,084
Capital city . . . . .	Buenos Aires
Population of capital (000's). . . . .	(1957) 3,681
Percentage of population in cities over 5,000. . . . .	57
Percentage of literacy . . . . .	87
Leading crops in acreage . . . . .	(1950) wheat, sunflower, oats, flax, rye

Bolivia

Area in square miles (000's) . . . . .	424
Capital city . . . . .	La Paz
Population of capital (000's). . . . .	(1950) 321
Percentage of population in cities over 5,000. . . . .	23
Percentage of literacy . . . . .	31
Leading crops in acreage . . . . .	(1950) potatoes, beans, maize, wheat

Brazil

Area in square miles (000's) . . . . .	3,287
Capital city . . . . .	Rio de Janeiro
Population of capital (000's). . . . .	(1956) 2,852
Percentage of population in cities over 5,000. . . . .	27
Percentage of literacy . . . . .	50
Leading crops in acreage . . . . .	(1950) maize, cotton, coffee, rice, beans, sugar cane

Chile

Area in square miles (000's) . . . . .	286
Capital city . . . . .	Santiago
Population of capital (000's). . . . .	(1952) 1,749
Percentage of population in cities over 5,000. . . . .	48
Percentage of literacy . . . . .	81
Leading crops in acreage . . . . .	(1950) wheat, oats, grapes

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TABLE XIII (CONTINUED)

## Colombia

Area in square miles (000's)	439
Capital city	Bogota
Population of capital (000's)	(1955) 903
Percentage of population in cities over 5,000.	29
Percentage of literacy	56
Leading crops in acreage	(1950) maize, rice, wheat

## Costa Rica

Area in square miles (000's) . . . .	19
Capital city . . . . .	San Jose
Population of capital (000's). . . .	(1950) 87
Percentage of population in cities over 5,000. . . . .	19
Percentage of literacy . . . . .	80
Leading crops in acreage . . . . .	(1950) maize, coffee

## Cuba

Area in square miles (000's)	44
Capital city	Havana
Population of capital (000's)	(1953) 1,117
Percentage of population in cities over 5,000.	45
Percentage of literacy	76
Leading crops in acreage	(1950) sugar cane, maize

## Dominican Republic

Area in square miles (000's) . . . .	18
Capital city . . . . .	Ciudad Trujillo
Population of capital (000's). . . .	(1957) 273
Percentage of population in cities over 5,000. . . . .	18
Percentage of literacy . . . . .	43
Leading crops in acreage . . . . .	(1950) sugar cane, maize, rice, yams, manioc

TABLE XIII (CONTINUED)

Ecuador


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Area in square miles (000's) . . . .	106
Capital city . . . . .	Quito
Population of capital (000's). . . .	(1955) 245
Percentage of population in cities over 5,000. . . . .	24
Percentage of literacy . . . . .	56
Leading crops in acreage . . . . .	(1950) rice, maize

El Salvador

Area in square miles (000's) . . . .	8
Capital city . . . . .	San Salvador
Population of capital (000's). . . .	(1953) 181
Percentage of population in cities over 5,000. . . . .	22
Percentage of literacy . . . . .	42
Leading crops in acreage . . . . .	(1950) maize, coffee

Guatemala

Area in square miles (000's) . . . .	42
Capital city . . . . .	Guatemala City
Population of capital (000's). . . .	(1953) 319
Percentage of population in cities over 5,000. . . . .	17
Percentage of literacy . . . . .	30
Leading crops in acreage . . . . .	(1950) maize, beans, coffee

Haiti

Area in square miles (000's) . . . .	10
Capital city . . . . .	Port-au-Prince
Population of capital (000's). . . .	(1950) 134
Percentage of population in cities over 5,000. . . . .	8
Percentage of literacy . . . . .	11
Leading crops in acreage . . . . .	n.a.

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TABLE XIII (CONTINUED)

Honduras


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Area in square miles (000's) . . . .	43
Capital city . . . . .	Tegucigalpa
Population of capital (000's). . . .	(1950) 72
Percentage of population in	
cities over 5,000. . . . .	12
Percentage of literacy . . . . .	44
Leading crops in acreage . . . . .	(1953) maize, coffee, bananas

Mexico

Area in square miles (000's) . . . .	760
Capital city . . . . .	Mexico City
Population of capital (000's). . . .	(1950) 3,050
Percentage of population in	
cities over 5,000. . . . .	35
Percentage of literacy . . . . .	55
Leading crops in acreage . . . . .	(1950) maize, beans, cotton, wheat

Nicaragua

Area in square miles (000's) . . . .	57
Capital city . . . . .	Managua
Population of capital (000's). . . .	(1950) 109
Percentage of population in	
cities over 5,000. . . . .	22
Percentage of literacy . . . . .	40
Leading crops in acreage . . . . .	(1953) maize, beans, cotton

Panama

Area in square miles (000's) . . . .	28
Capital city . . . . .	Panama
Population of capital (000's). . . .	(1955) 207
Percentage of population in	
cities over 5,000. . . . .	34
Percentage of literacy . . . . .	72
Leading crops in acreage . . . . .	(1950) maize, rice

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Area in square miles (000's)	157
Capital city	Asuncion
Population of capital (000's)	(1950) 201
Percentage of population in cities over 5,000.	20
Percentage of literacy	69
Leading crops in acreage	(1950) maize, cotton, manioc

Area in square miles (000's)	506
Capital city	Lima
Population of capital (000's)	(1952) 926
Percentage of population in cities over 5,000.	14*
Percentage of literacy	42
Leading crops in acreage	(1950) potatoes, maize, wheat, cotton, barley

Area in square miles (000's)	68
Capital city	Montevideo
Population of capital (000's)	(1954) 810
Percentage of population in cities over 5,000.	33*
Percentage of literacy	85
Leading crops in acreage	(1950) wheat, maize

Area in square miles (000's)	352
Capital city	Caracas
Population of capital (000's)	(1957) 1,100
Percentage of population in cities over 5,000.	42
Percentage of literacy	69
Leading crops in acreage	(1950) maize, coffee

Source: Preston E. James, Latin America, 3rd ed.,  
The Odyssey Press, New York, 1959.

TABLE XIV

NUMBER OF TELEPHONES IN USE IN THE LATIN AMERICAN NATIONS  
AND IN THE UNITED STATES AND THE APPROXIMATE  
NUMBER OF PERSONS PER TELEPHONE, 1958

Country	Number	Persons Per Telephone
United States	66,630,000	3
Argentina	1,223,593	16
Bolivia	19,909	17
Brazil	928,117	67
Chile	166,184	44
Colombia	247,298	55
Costa Rica	12,961	83
Cuba	170,092	38
Dominican Republic	16,592	168
Ecuador	25,000*	162
El Salvador	11,973	203
Guatemala	11,717	303
Haiti	4,239	808
Honduras	5,862	312
Mexico	447,984	72
Nicaragua	7,000*	197
Panama	23,937	41
Paraguay	9,172	183
Peru	91,242	112
Uruguay	135,777	20
Venezuela	158,575	40

\*Indicates estimate.

Source: Adapted from Statistical Yearbook, Statistical Office of the United Nations, United Nations, New York, 1959.

TABLE XV

NUMBER OF MEDICAL PERSONNEL AND APPROXIMATE NUMBER OF PERSONS PER PHYSICIAN IN THE LATIN AMERICAN NATIONS AND IN THE UNITED STATES IN THE INDICATED YEARS

Country	Year	Physicians	Dentists	Midwives	Pharmacists	No. of Persons Per Physician
United States	1955	208,136	83,000	--	--	792
Argentina	1955	25,000	9,650	3,950	8,050	809
Bolivia	1957	850	361	65	321	3,963
Brazil	1954	23,195	15,532	--	12,202	2,704
Chile	1953	3,450	--	447	--	2,115
Colombia	1957	4,500	1,500	--	--	3,004
Costa Rica	1957	379	113	549	--	2,908
Cuba	1957	6,421	2,100	1,885	--	1,010
Dominican Republic	1956	544	--	52	--	5,179
Ecuador	1957	1,325	351	183	--	3,066
El Salvador	1957	437	161	--	271	5,660
Guatemala	1957	542	130	--	--	6,566
Haiti	1957	120	--	--	--	28,533
Honduras	1957	365	63	7	--	5,077
Mexico	1957	18,058	1,601	2,071	--	1,792
Nicaragua	1957	464	73	15	--	2,995
Panama	1957	286	80	199	--	3,553
Paraguay	1957	857	271	358	--	1,972
Peru	1957	3,840	--	--	--	2,659
Uruguay	1957	3,116	1,650	834	--	868
Venezuela	1957	3,689	632	990	--	1,717

Source: Adapted from Statistical Yearbook, Statistical Office of the United Nations, United Nations, New York, 1960.



TABLE XVI  
INCOME DISTRIBUTION IN LATIN AMERICA  
AND UNITED STATES  
(1957 Dollars)

Latin America (Per Cent)	Annual Family Income	United States (Per Cent)
1	\$7,000 and over	14
6	\$4,000 to \$6,999	39
18	\$2,000 to \$3,999	29
<u>75</u>	Under \$2,000	<u>18</u>
100		100

Source: John Fayerweather, Management of International Operations, McGraw-Hill Book Company, New York, 1960.

### CHAPTER III

## THE EXTENT OF UNITED STATES-LATIN AMERICAN TRADE AND UNITED STATES DIRECT PRIVATE INVESTMENTS IN LATIN AMERICA

United States-Latin American trade and United States direct private investments in Latin America warrant discussion because by better understanding the patterns of trade and investment the reader will better understand the Latin American setting. Moreover, by becoming aware of the volume and value of the United States-Latin America trade and the extent of United States direct private investments, the reader will understand more clearly the importance of discovering the appropriateness of United States management philosophy in a Latin American setting.

As United States direct private investments in Latin America grow and as United States-Latin American trade expands, greater economic interdependency will develop. An increasing economic interdependency will require greater understanding of the Latin American culture and a greater appreciation of

how and why it differs from the Anglo-American culture. More specifically, as the number of United States firms operating in Latin America increases, an awareness of the degree of applicability of United States management philosophy will become increasingly important.

The purpose of this chapter, therefore, is to indicate the extent of economic interdependency between the United States and Latin America and thus emphasize the importance of becoming aware of the degree of applicability of United States management philosophy in a Latin American setting.

United States-Latin American trade and United States direct private investments in Latin America will be discussed separately to facilitate their examination.

#### Value of United States-Latin American Trade

Merchandise Exports. In the years considered since 1948 (see Table XVII), the United States-Latin American trade patterns shows considerable variance. From a value of \$3,190 million in 1948, United States exports to Latin America fell \$570 million, or, 17 per cent in 1950. By 1952, however, exports had increased 27 per cent over the 1950 level. While the average value of exports during the 1948-1960 period is somewhat higher than the 1948 mark, no strong upward trend is perceivable. The export pattern can best be described as one

TABLE XVII

VALUE OF UNITED STATES MERCHANDISE EXPORTS TO WORLD AND TO  
LATIN AMERICA IN SELECTED YEARS AND PERCENTAGE  
CHANGE OVER PRECEDING PERIOD  
(Millions of Dollars)

Year	World		Latin America	
	Amount	Per Cent	Amount	Per Cent
1938	\$ 3,060		\$ 495	
1948	12,540	309	3,190	544
1950	10,150	-19	2,620	-17
1952	15,650	48	3,350	27
1954	14,990	-.4	3,220	-3
1956	18,950	26	3,780	17
1958	17,730	-6	4,060	7
1959	17,390	-2	3,500	-13
1960	20,330	16	3,440	-1.7

Source: Adapted from Yearbook of International Trade Statistics, 1959, Vol. I, Department of Economic and Social Affairs, United Nations, New York, 1960; also Statistical Abstract of the United States, 1961.

with as many rises as falls. Moreover, United States' exports to Latin America did not experience the over-all expansion that total United States merchandise exports experienced.

On a value basis during 1954-1960, the three largest United States export product groupings to Latin America were machinery, agricultural commodities, and automobiles, parts, and accessories. Throughout the 1954-1960 period, the value of machinery exports was about twice the value of the next largest grouping. From the low of \$895 million in 1954, the value peaked at \$1,220 million in 1958. This increase represented a 27 per cent gain over 1956. This level was not maintained, however, and in 1958-1960 machinery exports fell 17 per cent, or, to a dollar value of \$1,009 million (see Figure 6).

United States exports to Latin America of agricultural commodities, on a value basis, rose gradually from 1954 through 1958 as illustrated in Figure 7. From the 1954 level of \$405 million, the value of this grouping reached \$512 million in 1958. By 1960, however, exports had declined to almost the 1954 level. As Figure 7 shows, the pattern of Latin America's importation of United States agricultural commodities is peculiar because it shows a decline while the patterns for Canada and Western Europe show increases. The explanation of

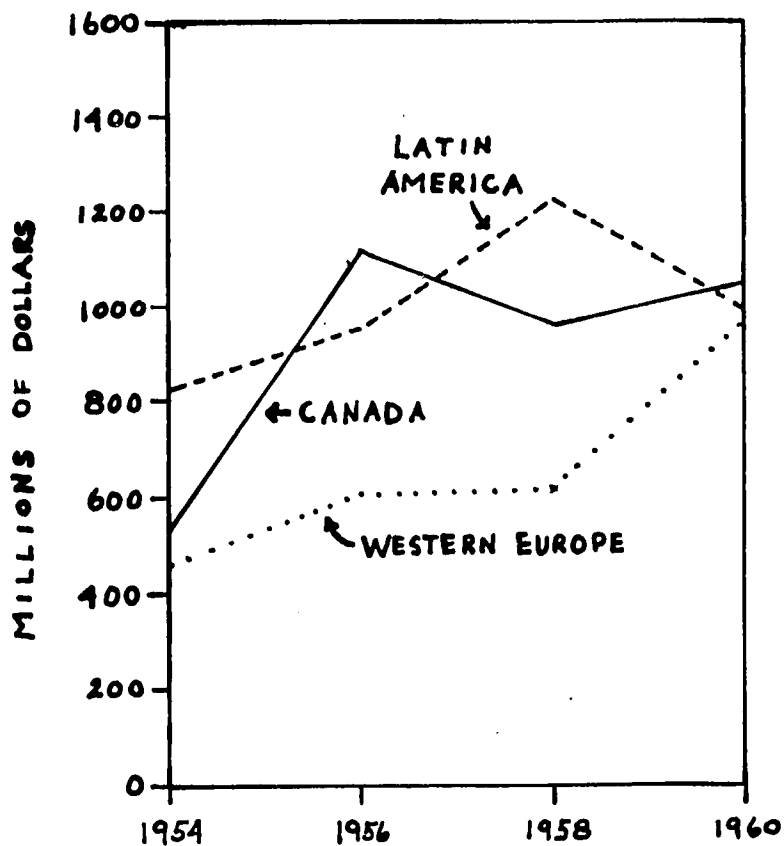


FIGURE 6

UNITED STATES EXPORTS OF MACHINERY TO SELECTED AREAS,  
1954-1960

Source: Adapted from The Statistical Abstract of the United States, 1954-1961.

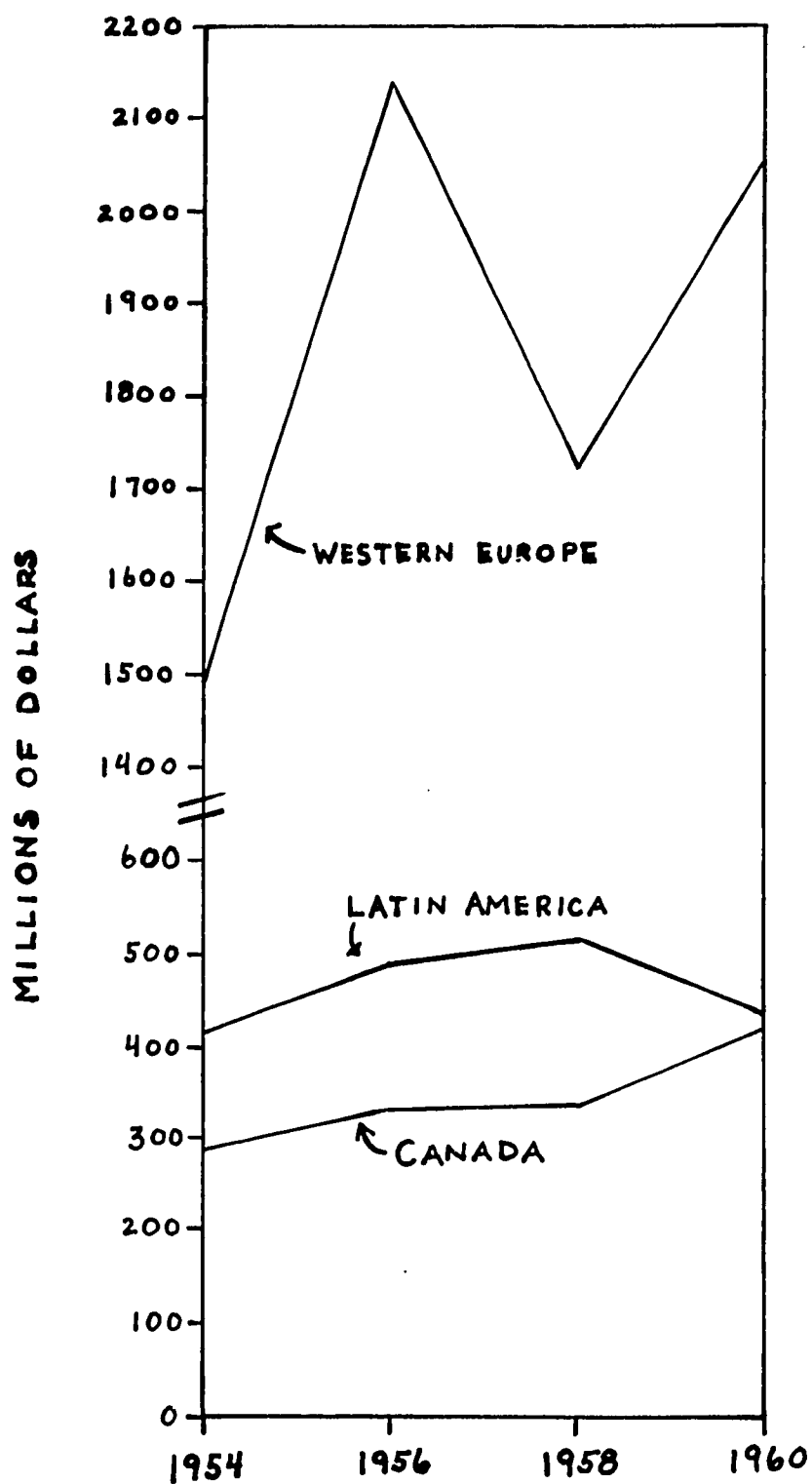


FIGURE 7

UNITED STATES EXPORTS OF AGRICULTURAL COMMODITIES TO  
SELECTED AREAS, 1954-1960

Source: Adapted from The Statistical Abstract of the United States, 1954-1961.

the decline is found in the fact that United States imports from Latin America in 1958-1960 shrank considerably. This contraction triggered a reverse multiplier effect in Latin America and aggravated the decline.

The best customer for United States automobiles, parts, and accessories is Latin America. In 1954, Latin America purchased \$409 million worth of automobiles, parts and accessories. This period reflected the low for Latin American imports of this grouping, but it was, nonetheless, \$162 million greater than Canada's importation of these items. As portrayed graphically in Figure 8, the highest level for the period was reached in 1956 when Latin America imported \$474 million worth of automobiles, parts and accessories. Since that time, however, the value has steadily decreased and by 1960 had fallen to \$430 million.

Merchandise Imports. From 1938 through 1948 the value of United States imports from Latin America increased 369 per cent. This rate of increase, illustrated in Table XVIII, was considerably greater than the rate of increase of total United States imports (226 per cent).

The value of United States imports from Latin America reached its peak in 1956 at \$3,860 million. By 1958, the



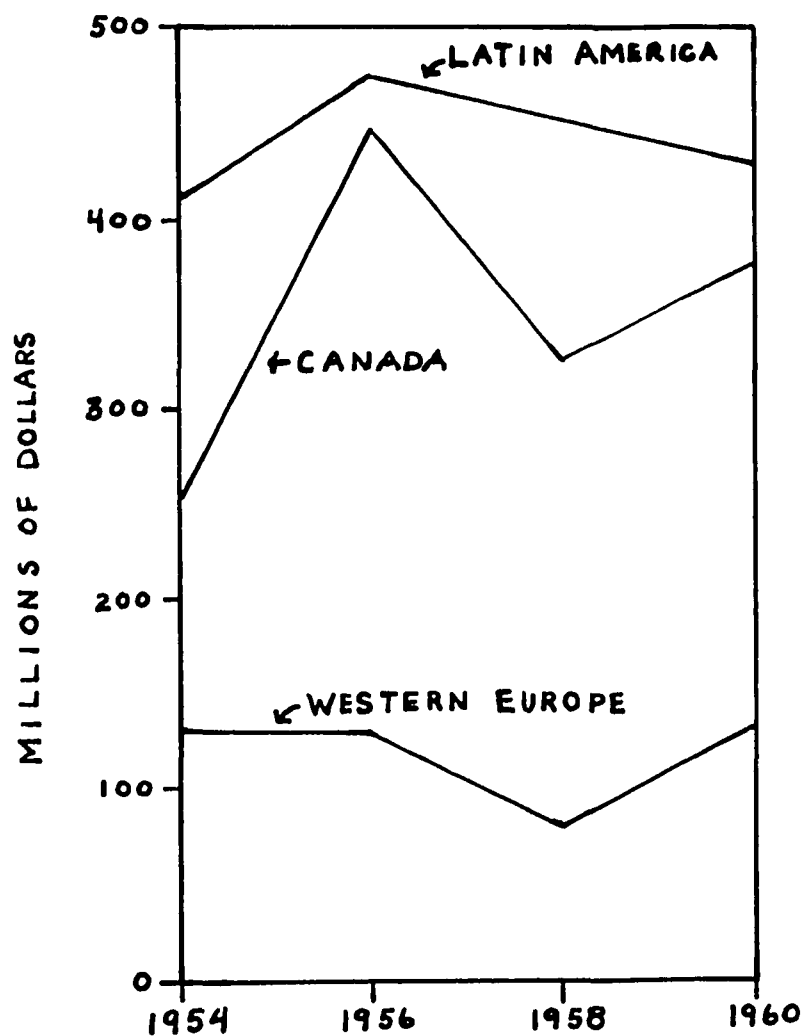


FIGURE 8

UNITED STATES EXPORTS OF AUTOMOBILES, PARTS, AND  
ACCESSORIES TO SELECTED AREAS, 1954-1960

Source: Adapted from The Statistical Abstract of the United States, 1954-1961.

TABLE XVIII

VALUE OF UNITED STATES MERCHANDISE IMPORTS FROM THE WORLD  
AND LATIN AMERICA IN SELECTED YEARS AND PERCENTAGE  
CHANGES FROM PRECEDING PERIODS  
(Millions of Dollars)

Year	World		Latin America	
	Amount	Per Cent	Amount	Per Cent
1938	\$ 2,110		\$ 515	
1948	6,890	226	2,420	369
1950	8,820	28	3,120	28
1952	10,310	16	3,510	12
1954	10,100	-2	3,440	-1.9
1956	12,460	23	3,860	12
1958	13,010	4	3,680	-4
1959	15,210	16	3,680	0
1960	14,906	-2	3,681	0

Source: Yearbook of International Trade Statistics, 1959, Vol. I, Department of Economic and Social Affairs, United Nations, New York, 1960; also Statistical Abstract of the United States, 1961.

value fell four per cent and remained at that level through 1960.

Looking at the entire period, 1938-1960, one perceives a sharp rise in the value of imports from Latin America. While considerable expansion occurred, it was at a rate approximately the same as total United States imports. Consequently, Latin America maintained throughout the period about the same share of the United States market vis-a-vis the world--about 24 per cent.

The fact that 24 per cent of United States imports, on a value basis, come from Latin America clearly indicates the significance of United States-Latin American trade. This trade definitely is important to the United States--and from the Latin American viewpoint this trade means the difference between life and death. In 1960 for instance, the 24 per cent of United States imports from Latin America constituted 41 per cent of all Latin American exports. The fact that 41 per cent of all Latin American exports come to the United States clearly demonstrates why Latin America economies are linked so closely to United States imports. This fact helps substantiate the saying that when the United States sneezes, Latin America gets pneumonia.

Very little internal trade exists in Latin America.

Less than 10 per cent of the exports of all the Latin American countries go to other Latin American nations. This small amount of internal Latin American trade results from these countries being tied so closely to agriculture and to raw material production. Since almost all of these nations are relatively unindustrialized, they have little opportunity to specialize in broad categories. That is, they have little opportunity, internally, to trade agricultural products for industrial goods or consumer manufactures. They must trade their agricultural products and raw materials to non-Latin American industrialized nations for manufactured goods. This pattern characterizes United States-Latin American trade. Over 90 per cent of the United States imports from Latin America are nonmanufactured raw materials and agricultural products. On a value basis, the three most important imports are coffee, petroleum and petroleum products, and cane sugar.

During 1952-1959 the United States imported over a billion dollars worth of coffee a year. The value of coffee imports reached a peak at \$1.3 billion in 1954. Since 1954, however, the value of coffee imports declined in every year considered (see Table XIX). By 1960 only \$874 million worth of coffee entered the United States from Latin America or \$485.4 million less than in 1956.

TABLE XIX

IMPORTS OF LEADING COMMODITIES FROM LATIN AMERICA IN SELECTED YEARS, 1952-1960  
(Millions of Dollars)

Item	1952	1954	1956	1958	1960
Coffee	\$1,297.2	\$1,359.8	\$1,300.6	\$1,016.6	\$874.4
Petroleum and Petroleum Products	394.9	485.0	656.4	828.4	827.2
Cane Sugar	324.9	298.4	330.7	410.8	369.5
Other food stuffs (excludes grains, fats, oils, cotton, and tobacco)	265.0	204.9	214.2	296.5	366.2
Non-ferrous metals and ferroalloys	552.8	368.3	482.4	293.8	347.4
Wool, unmanufactured	99.7	65.7	73.1	42.0	53.5

Source: Adapted from Statistical Abstract of the United States, 1954, 1957, 1961.

Petroleum and petroleum products is the only leading category that demonstrated considerable growth throughout 1952-1960. This category of imports from Latin America more than doubled in value during the period considered rising to \$827 million in 1960 from the low of \$394 million in 1952.

Of the several categories of imports from Latin America shown in Table XIX, only coffee and petroleum and petroleum products show consistent patterns throughout the period; the value of coffee continually declined and the value of petroleum and petroleum products continually rose. The other leading categories of imports from Latin America follow erratic patterns throughout the period. For instance, the value of nonferrous metals and ferroalloys was second only to coffee in 1952. By 1960, however, the category ranked fifth on a value basis.

The complete picture of United States-Latin American business activities must include, in addition to exports and imports, direct private investments.

#### Value of United States Direct Private Investments in Latin America

During the ten-year period 1950-1960, United States direct private investments in Latin America increased 88 per cent. From \$4,445 million in 1950, United States direct

private investments in Latin America reached \$8,365 million in 1960. However, United States direct private investment in Latin America did not keep pace with total United States direct private investment mainly because of the rapid rate of investment in Europe during the period (see Table XX).

The largest dollar increase in United States direct private investments in Latin America occurred in petroleum. As shown in Table XXI, between 1950 and 1960 these investments soared from \$1.2 billion to \$2.8 billion--an increase of \$1.6 billion or 133 per cent.<sup>1</sup> Most of the increase in petroleum investments in Latin America during the period went to Venezuela for resource development. Venezuela leads all other Latin American nations in the value of direct investments in petroleum with about 66 per cent of the \$2.8 billion area total.

Most of the petroleum investments in Latin America flowed there since 1950 (see Table XXI). In 1956 and 1957, for instance, these investments expanded by over \$1 billion. The two main causes of this rapid rate of investment were the Suez Canal crisis and the new areas which were opened for

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<sup>1</sup>Because of exchange rate fluctuations in the mid-fifties, these figures are slightly understated.

TABLE XX

UNITED STATES DIRECT PRIVATE INVESTMENTS IN WORLD AND LATIN  
AMERICA IN SELECTED YEARS, 1946-1960, AND PERCENTAGE  
CHANGES OVER PRECEDING PERIOD  
(Millions of Dollars)

Year	World		Latin America	
	Amount	Percentage Increase	Amount	Percentage Increase
1946	\$ 8,913		\$ 2,500	
1950	11,788	32	4,445	77
1952	14,819	25	5,159	16
1954	17,626	18	5,873	13
1956	22,177	25	6,379	8
1958	27,255	22	7,751	21
1960	32,744	20	8,365	7

Source: Adapted from Statistical Abstract of the United States, 1955, 1961.



TABLE XXI

VALUE OF UNITED STATES DIRECT PRIVATE INVESTMENTS IN LATIN  
AMERICA IN SELECTED YEARS BY MAJOR INDUSTRIES  
(Millions of Dollars)

Industry	1950	1957	1958	1959	1960
Manufacturing	\$ 780	\$1,270	\$1,316	\$1,405	\$1,610
Mining and Smelting	628	1,112	1,182	1,258	1,155
Petroleum	1,233	2,702	2,825	2,963	2,882
Transportation, Communication and Public Utilities	927	1,001	1,047	1,101	1,131
Trade and Distribution	242	545	567	641	718

Source: United States Business Investments in Foreign Countries, United States Department of Commerce, 1960.

development in Venezuela.<sup>2</sup>

As Table XXI illustrates, the value of petroleum investments declined slightly in 1959-1960. Evidently, current production capacity was sufficient to satisfy current and near-future demand.

Unlike the petroleum investments, which slacked off in 1958-1960, manufacturing investments continued to rise. An \$830 million expansion took place in 1950-1960 and placed manufacturing second (to petroleum) in the size of the dollar value increase and in total value. In 1950 direct investments in manufacturing totaled \$780 million; by 1960 they reached \$1.6 billion (shown in Table XXI). While these investments are impressive, they are \$1.2 billion less than the petroleum investments. Furthermore, they constitute only 14 per cent of the total United States direct private investments in manufacturing (1960).

As one might expect, manufacturing investments are not spread evenly throughout Latin America. A glance at Table XXII shows that, in 1959, the direct manufacturing investments in South America were \$409 million larger than the

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<sup>2</sup>U. S. Business Investments in Foreign Countries, United States Department of Commerce, 1960, p. 21.

TABLE XXII

DISTRIBUTION OF DIRECT PRIVATE INVESTMENTS IN MANUFACTURING  
IN LATIN AMERICA, AND IN SELECTED COUNTRIES, 1959  
(Millions of Dollars)

Country		Distribution
Central America		\$498
	Mexico	\$355
	Others	143
South America		907
	Argentina	158
	Brazil	438
	Chile	21
	Colombia	77
	Venezuela	160
	Others	53
Total		\$1,405

Source: U. S. Business Investments in Foreign Countries,  
United States Department of Commerce, 1960.

investments in Central America. Neither are the investments distributed evenly throughout the subareas. In Central America, Mexico has \$355 million of the \$498 million total. This points up an interesting fact--United States direct private investments in manufacturing are largely in relatively industrialized areas. In South America, for instance, the largest investments are in Brazil, Argentina, and Venezuela. Venezuela, however, is not generally considered truly industrialized. The United States direct private investments in

manufacturing in Venezuela are mainly in chemicals and rubber products. In Brazil and Argentina, however, investments are more evenly distributed among the various manufacturing categories.

When considering Latin America as a whole, three manufacturing investment groupings stand out from the rest--chemicals and allied products, \$330 million; food production, \$200 million; other manufacturing (mostly consumer goods), \$185 million.

The third largest category of direct private investments in Latin America is mining and smelting (see Table XXI). While these investments are only \$24 million larger than the investments in transportation and public utilities, mining and smelting investments have shown a much greater rate of growth. Mining and smelting investments from 1950 to 1960 appreciated \$527 million, or, 83 per cent.

The commodities in which the greatest mining and smelting investments are located are iron, copper, lead, and zinc. Investments in operations concerned with these elements constitute about 80 per cent of the total mining and smelting investments in Latin America.

Chile has by far the greatest direct private investment in mining and smelting. Of the total \$1,112 million

investment in Latin America (1957) in this grouping, 43 per cent, or \$480 million, is located in Chile. This investment is more than twice the size of the next largest which is in Peru. Peru's share of the mining and smelting investment totaled \$196 million in 1957. Most of this investment is in copper and lead.

Following Chile and Peru in the value of mining and smelting investments comes Mexico. In 1957, the value of direct private investments in this category stood at \$139 million. And, as with Chile and Peru, the bulk of the investments in Mexico are in copper, lead, and zinc.

Latin America's vast mineral resources have made it the most attractive area for mining and smelting investments. Proof of this lies in the size of the investments. In 1960, of a total of \$3,013 million, 36 per cent, or \$1,155 million, was in Latin America. The mining and smelting investments in Latin America are about five times as large as in any other area.

The investment grouping which experienced the least growth on a value basis, as well as on a percentage basis, was transportation, communication, and public utilities. From 1950 to 1960 it expanded by only \$204 million. Investments in this category in Latin America totaled \$927 million

in 1950 and \$1,131 million in 1960. These investments experienced a low rate of expansion for two reasons--low earnings and adverse government actions. Governments frequently identify these areas with public interest and welfare and, therefore, tend to keep earnings at a minimum. This action, in turn, discourages reinvestments and new investments and eventually the industry becomes stagnant.

Only three countries in Latin America, in 1957, had United States direct private investments in this category over \$100 million--Brazil, \$182 million; Mexico, \$134 million; Cuba, \$238 million (expropriated in 1960). The remaining investments are distributed relatively evenly throughout Latin America with the next largest investment in Guatemala (\$56 million).

Even though transportation, communication and public utilities investments in Latin America did not increase rapidly in 1950-1960, they constituted 44 per cent of the total United States investments in this classification (1960).

Trade and distribution investments in Latin America (see Table XXI) showed a strong upward movement during 1950-1960. In comparison with the other major industries, trade and distribution investments in Latin America were quite small in 1950--\$242 million. By 1960, however, they grew to

\$718 million, or nearly three times their 1950 value.

In 1957, of the total investments of \$545 million in this grouping in Latin America, \$430 million was in wholesaling. "Most of the investment is in wholesale trading, consisting mainly of enterprises distributing goods exported from the United States or produced by affiliated companies abroad."<sup>3</sup>

The largest United States trade and distribution investment in Latin America, in 1957, was in Brazil and amounted to \$116 million. Venezuela ranked second with an investment of \$113 million followed by Panama and Mexico with investments of \$70 million and \$68 million respectively. The rapid increase in trade and distribution investments is dramatized by the facts that in 1950 Brazil had only \$73 million, Venezuela had \$24 million, Panama had only \$11 million, and Mexico had \$30 million.

Panama and Venezuela have become staging and storage sites for goods destined for distribution throughout Central and South America. This fact explains the rapid increase in United States direct private investments in trade and distribution in these countries.

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<sup>3</sup>Ibid., p. 24.

By 1960 United States investments in trade and distribution in Latin America constituted 29 per cent of the total United States direct private investments in trade and distribution.

From the data presented, one readily can determine the extent of economic interdependency between the United States and Latin America. Moreover, from these data one can appreciate more fully the importance of discovering the appropriateness of United States management philosophy in a Latin American setting.

The next chapter concerns the origins of both the Anglo-American culture and the Latin-American culture. The two cultures are different in many respects. This is a fact. But knowing how the two cultures evolved will help the reader to understand why the cultures differ. And understanding why the two cultures differ will help the reader to see whether or not United States management philosophy is entirely appropriate in a Latin American setting.



CHAPTER IV  
ORIGINS AND DIFFERENCES OF THE ANGLO-AMERICAN  
AND LATIN AMERICAN CULTURES

An examination of the origins of the Anglo-American and Latin American cultures and the basic differences between the two cultures is vital to the determination of the degree of applicability of United States management philosophy in a Latin American setting. The hypothesis of this paper declares that United States management philosophy is not entirely appropriate and applicable in a Latin American setting because of differences in heritage, customs, and cultural attitudes. Therefore, an examination of the differences and origins of the two cultures bears directly on the objectives of the paper. Whyte and Holmberg express this idea this way:

Management here (Latin America) . . . deals with a complex set of human relations within its own organization and with a still more complex network of relations connecting the company and its employees with the culture and social organization of the country. A better understanding of these complex human problems will enable management to act more effectively as an economic unit and in its human relations in Latin America. . . . To be effective in Latin America, the North American must understand

the culture within which he lives and works. But that is not all. He must also understand the culture of his native land.<sup>1</sup>

### The Nature of Culture

Culture is defined as an integrated pattern of socially standardized behaviors, beliefs, and attitudes on the basis of which men learn to adapt to their environments.<sup>2</sup>

The culture of a group does not develop rapidly; rather it develops slowly over long periods. By the same token, the culture of a group cannot be changed quickly. But, since culture is man-made, man-made decisions can change it. Changes in culture, however, are generally very difficult to affect and can be brought about only at a slow pace. Arbitrary and rapid changes in culture are dangerous for the "changers." Inquisitions, persecutions, congressional committee hearings, and threats of committal to a mental hospital are just a few of the risks a "changer" must absorb.<sup>3</sup>

All cultures, both primitive and civilized, seem to

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<sup>1</sup>William F. Whyte and Allan R. Holmberg, "Human Problems of U. S. Enterprise in Latin America," Human Organization, Vol. 15, No. 3 (Fall, 1956), 1-2.

<sup>2</sup>John J. Honigmann, The World of Man (New York: Harper and Brothers, 1959), p. 12.

<sup>3</sup>Ibid., p. 122.

contain common elements--speech, material traits, art, mythologies and scientific knowledge, religious practices, family and social systems, property, government, and war. However, just because these elements seem to be common among all cultures, does not mean that all cultures are identical. On the contrary, no two cultures are identical; furthermore, no one culture is universally acceptable. Even such important matters as right and wrong are relative to time, place, custom, and culture.

The sanctions of a culture are valid only for those people organized in terms of that culture. Nudity is all right for the Shilluk male of eastern Africa but the American mores do not allow such indecencies.<sup>4</sup>

In addition to the culture group characteristics already mentioned, there is another which is universal. Because each culture group in the world is isolated from most of the other culture groups, it has few opportunities to come into contact with them. The lack of contact or experience leads each group to consider its own culture as being proper, moral, and natural and to consider the others peculiar and, perhaps, immoral. The tendency to consider the

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<sup>4</sup>George A. Hedger, An Introduction to Western Civilization (revised edition; New York: The Odyssey Press, 1939), pp. 21-22.

ways of life of other culture groups as strange is universal --each culture group is biased in favor of its own way of life.

While culture biases are universal, they exist in varying degrees of intensity. The more isolated a culture group is, and the fewer experiences it has with persons of other cultures, the more intensely it is biased in its own favor. Persons having experience with varied cultures tend to be more tolerant of other cultures. These persons probably remain biased in favor of their own native culture, but they become less intolerant of other cultures. An interesting illustration of this point is found in a recent survey of 224 Americans working overseas in various occupations and professions. More than half of the interviewees "had one or more grandparents born outside the United States, and nearly one-fifth of them were children of foreign-born parents."<sup>5</sup> These facts indicate that a relatively high percentage of Americans overseas had first-hand experience with foreign cultures early in their lives.

Management philosophy and practice, wherever they are

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<sup>5</sup>Harlan Cleveland, Gerard J. Mangone, and John Clarke Adams, The Overseas Americans (New York: McGraw-Hill Book Company, 1960), p. 9.

found, are influenced by the established culture and also are a part of that culture. Anyone attempting to change that practice and philosophy will meet with opposition. This proposition holds true for United States businessmen operating in Latin America. Management philosophy and practices followed by Latin American businessmen may appear queer, backward, and illogical to United States businessmen. Judging the effectiveness of their practices and the soundness of their philosophy by standards of effectiveness and soundness not found in their culture is neither fair nor logical--it is like trying to gauge the weight of water with a yardstick. The measuring devices are just not suited to the measuring job.

Much of the explanation of the causes of the cultural differences between the United States and Latin America is found in the motives, goals, and other characteristics of the settlers and early inhabitants of the two areas.

#### Cultural Attitudes of the Settlers and Early

#### Inhabitants of Anglo America

The settlers of Anglo America represented rebellion to the established social order in their homelands in the areas of government and religion. Regardless of from where the groups of settlers came, there was one characteristic they held in common; each group was fleeing from persecution.

Early America was settled by persecuted minority groups.<sup>6</sup> In the New World these groups could worship God in the manner they believed correct; in the New World these groups could enjoy freedom and govern themselves.

Although the thirteen colonies all received charters from the king of England, the British government neither took the initiative in founding the colonies nor paid any attention to the colonies for several decades. For all practical purposes, the colonies were independent for a long time after their founding. As Vrooman phrases it, "In spite of Imperial Edicto and new charters with fewer privileges, it was then too late to turn back the clock of history. God-directed self-government was in full swing and won out against every attack over the years."<sup>7</sup>

The colonies attracted persons of strong wills and convictions and provided an atmosphere for developing still more persons with those characteristics. The early settlers had to have strong convictions even to decide to leave their homelands which, despite persecution, offered them more physical security than the New World. To survive, men had to

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<sup>6</sup>Lee Vrooman, The Faith that Built America (New York: Arrowhead Books, Inc., 1955), p. 10.

<sup>7</sup>Ibid., p. 18.

work hard and against tremendous odds. For instance, half of the passengers of the Mayflower were dead within a year after they landed and 90 per cent of the Virginia settlers were dead three years after settling that colony.<sup>8</sup>

As one can see, coming to Anglo America took courage, strength, and a burning desire for freedom and for an opportunity to build an ideal community which was governed by the governed. Anglo America not only represented an opportunity for one to stand on his own two feet, on his own qualities, but it forced men to become self-sufficient and self-reliant. The work of an individual was the true measure of his worth.

The early Americans came to settle the land--they came to stay. Their objective was to build communities for themselves. They did not come to exploit the natives or to discover and mine precious metals as the Latin American pioneers sought to do. Governor Dudley of Rhode Island wrote,

If any come hither to plant for worldly ends, that can live well at home, he committs an error, of which he will soon repent. But if for spiritual . . . he may find here what may well content him.<sup>9</sup>

During the sixteenth and seventeenth centuries in England, ideas and practices were being molded which would carry over to Anglo America and influence its development.

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<sup>8</sup>Ibid., p. 15.

<sup>9</sup>Ibid., p. 27.

One of these, mentioned earlier, was self-reliance. What force spurred the development of this desirable (from an Anglo-American's viewpoint) characteristic? First of all, English commoners gained more liberty and economic independence under the Tudors<sup>10</sup> than was ever known in Europe. They gained it, however, not from a benevolent government, but as a result of the struggles for the crown.

The claim of Henry VII to the throne of England was none too potent. A result of the weakness of this claim was the death of feudal aristocracy and the nativity of rising importance of the middle classes. These were the classes that gave England her strength; it was from these same classes that Anglo America drew her strength and solidarity.

The middle classes gained importance in England under Henry VII because he sought their favor. They were relatively low on the social scale, but they made up for this in numbers. In his book, The Atlantic Frontier, Louis B. Wright says:

If England in the nineteenth century could be described as a nation of shopkeepers, the beginnings of the transformation in social structure must be sought in Tudor policy; neither Henry VIII nor Elizabeth,

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<sup>10</sup>Tudor is the name of an English royal family whose members ruled England from 1485 to 1603.



for all their readiness to believe in the divinity that doth hedge a king, ever forgot that power resides in the people--and the public purse.<sup>11</sup>

The new-found liberty and economic independence blossomed under careful Tudor cultivation. History showed that the common Englishman was not fearful of tyranny. Therefore, it was to the advantage of the Tudors to be "public relations minded."

During the Tudor era, a rather mobile social class structure evolved. As history shows, the notion of social class mobility came with the colonists and early settlers to Anglo America and became one of the sources of its great strength and vitality.

The social flexibility of England was rooted in the custom of bequeathing lands, and the titles they supported, to only the eldest son. Younger sons and daughters were on their own. Whatever the sons and daughters achieved in the way of riches or social class advancement had to be won largely through their own efforts. Insurmountable barriers to either social or economic advancement were nonexistent. One had only to take advantage of the plentiful opportunities.

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<sup>11</sup>Louis B. Wright, The Atlantic Frontier (New York: Alfred A. Knopf, 1947), p. 13.

Throughout Western Europe the middle classes were expanding constantly and rapidly during the sixteenth century. Commerce flourished when Portugal discovered a sea route to the East. And this increase in commerce further stimulated expansion of the ranks of the middle classes, further deepened their love of liberty, and further motivated them to secure economic independence and self-reliance.

Under the Tudors, Englishmen cultivated a taste for liberty, perceived the meaning of economic independence, and developed a mobile social class structure. These factors further strengthened and enlarged the middle classes to which both England and Anglo America owe their national vigor, tenacity, and character.

In Anglo America, at the time it was first settled, there were relatively few Indians compared with other parts of the New World. Because the land was only sparsely inhabited, the Europeans coming to Anglo America were able to push the Indians off the land and lay claim to it.

#### Cultural Attitudes of Latin American Settlers

To understand fully the cultural attitudes and characteristics of Latin Americans, one must first acquaint himself with the origins of these characteristics--Spaniards and Portuguese.

The Europeans who came to the area that is now Latin America were a mixture of many peoples. The Iberian Peninsula had been invaded and conquered several times by different nations and tribes. The Iberians and Celts were succeeded by the Phoenicians, the Greeks, the Carthaginians, the Romans, the Goths, and the Moors. The Phoenicians, Greeks and Carthaginians controlled the Iberian Peninsula in ancient times. The Romans displaced the Carthaginians in 201 B.C., and ruled the peninsula for six centuries.<sup>12</sup> It was during the Roman rule that the inhabitants became Christians. The decline of Roman military strength invited invasion by barbaric Germanic tribes early in the fifth century. Within fifty years, one of these tribes, the Visigoths, ruled the entire peninsula.

The Visigoths were not without their internal political strife, however. This strife seriously divided the Visigoths into feuding factions and hindered their ability to ward off their enemies across the Mediterranean in North Africa. As a matter of fact, one of the feuding Visigoth factions invited the Moslems to enter Spain as allies to win control of the peninsula.

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<sup>12</sup>Benjamin Keen, (ed), Latin American Civilization (New York: Houghton Mifflin Company, 1955), p. 40.

The Moslems landed on the Iberian Peninsula in 711 and within a few years ruled the entire peninsula with the exception of a few small districts in the mountainous north.

The Moslems brought to the peninsula significant contributions to science, art, and literature. They brought with them the ability to develop the resources of the area; they built irrigation systems, fertilized the soil, mined silver, copper, lead, and iron, and introduced rice, cotton, sugar cane, citrus fruits, and silkworms.<sup>13</sup> In addition, they manufactured pottery, glassware, jewelry, and leather goods.

More significant than these contributions, however, was the introduction by the Moslems of the Arabic System of numbering and their construction of the first paper factory in all Europe. This period in Spain's history is noted particularly for its magnificent architecture, its schools, and its science.<sup>14</sup>

The Moslems were followers of a religious leader of Arabia, Mohammed, and thus were not Christians. This fact embittered the inhabitants of the northern mountainous

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<sup>13</sup>J. Fred Rippy, Latin America (Ann Arbor: The University of Michigan Press, 1958), p. 38.

<sup>14</sup>Ibid., p. 39.

districts who were never brought under Moslem control.

Around the year 800 the Christians of these districts began a revolt. Because of political differences among the Moslems, this tiny revolt was never put down. The inhabitants of these northern districts slowly gained more and more support; they fought the Moslems, off and on, for nearly 700 years. By 1400 the only Moslem stronghold left on the peninsula was Granada. The Moslems were not driven from Granada until 1492, and only after a ten-year war.

By that time Spanish national unity had practically been achieved. But the Moslems had left a deep impression. Spaniards thereafter were less European than Asiatic, full of Mysticism, dignified, proud, sometimes arrogant, and often capable of great self-abnegation.<sup>15</sup>

The long struggle to drive the Moslems from the Iberian Peninsula left Spain in a militant state. Columbus' discovery of virgin lands which were Spain's for the taking, and his discovery of masses of people who were totally ignorant of the Catholic Faith, could not have come at a more opportune time for Spain.

As one author states:

Spaniards of the sixteenth century (were) . . . superb fighting material. Aside from the qualities that characterized them as Spaniards, as Spaniards

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<sup>15</sup>Ibid., p. 40.

they were the end product of centuries of preparation for some supreme collective effort of the human will. For ages Castilian and Aragonese had fought one another or the Moslem, and the intervals of peace were never long enough to relax the tautness of nerves that were steeled to battle. Then a concurrence of circumstances at the end of the fifteenth century furnished the setting and occasion for the great adventure for which everything else had been a preparation.<sup>16</sup>

Spain sent los conquistadores to the New World for one reason--to conquer. On one hand she desired power, territory, and riches; on the other, she desired to win over the pagan masses to Christianity.

The Spanish came to the New World not to settle the land but to rob it of its precious metals and other wealth and to convert its natives to Christianity. Without a doubt, gold and silver were important factors in the Spanish conquest. After the gold and silver objects had been melted down and shipped back to Spain, the Spanish began an effective job of prospecting for precious metals and opening and operating mines. "So thorough was Spanish prospecting that in Mexico, for instance, no major new gold or silver discoveries have been made in the century and a half since the end of Spanish rule."<sup>17</sup>

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<sup>16</sup>William Lytle Schurz, This New World (New York: E. P. Dutton & Co., Inc., 1954), pp. 116, 117.

<sup>17</sup>Vera Micheles Dean, The Nature of the Non-Western

The mining and agricultural activities, as they were carried on by the Spanish, required a large laboring force. Since the Indians were numerous and since they were the conquered people, they were forced into mining and farming. The conquistadores were soldiers, not miners or farmers.

The New World Spanish colonies were founded on feudal principles. Since feudalism had prevailed for many centuries in Spain, it was natural that the same system be established in Spanish America. The Spanish were the conquerors and, therefore, established themselves as the ruling class. No person of authority and no member of a class higher than peons could be expected to do manual labor or perform any activity which he considered to be below his status. As a result of this aspect of the system, the Spaniards ruled, the Indians toiled, and a rigid class social system was established. "Legally, the creoles<sup>18</sup> and peninsular Spaniards were equal. In practice, the former suffered from a system of discrimination that denied them employment in high church and government posts and in large-scale commerce."<sup>19</sup>

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World (New York: The New American Library of World Literature, Inc., 1957), p. 177.

<sup>18</sup>Creoles were white persons born in the New World.

<sup>19</sup>Keen, op. cit., p. 116.

Next on the social scale, after the peninsular Spanish and creoles, were mestizos. These were persons who were half Spanish, half Indian. They certainly were not on a par with peninsular Spanish or creoles. Only rarely did mestizos become anything but artisans, shopkeepers and overseers. They definitely belonged to a lower middle class.

In the next to lowest position on the social scale were Indians. They constituted the upper lower class in the social structure and were above only the Negroes. In the Antilles, and other plantation areas, the timid native population was quickly worked to death. Pressed for workers, the Spanish soon began to import Negro slaves. One author described the situation this way:

Negro slavery in the Spanish colonies has been described as patriarchal and humane by comparison with the operations of the system in the English and French colonies. Emancipation was legally possible, and occurred with some frequency during the colonial period. Whether slaves or freedmen, Negroes occupied the lowest position in the social scale.<sup>20</sup>

This same author lends insight to the rigidity of the Spanish colonial social caste pattern:

Every person is so jealous of the order of their [sic] tribe or cast, that if, through inadvertence, you call them by a degree lower than what they

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<sup>20</sup>Loc. cit.



actually are, they are highly offended, never suffering themselves to be deprived of so valuable a gift of fortune.<sup>21</sup>

The differences in the cultural patterns of the settlers of Anglo America and Latin America are evident. The Spanish, especially, came to the New World not to settle the land but to conquer it. They did not come to escape religious and political persecution but to zealously indoctrinate the natives and to subjugate them.

While certain English customs forced young persons to become self-reliant and established frugality and industriousness as the accepted mode of behavior, the Spanish considered work something to be avoided. Instead of a mobile social-class structure which fosters inventiveness as the Anglo-Americans brought with them, the Spanish brought feudalistic principles with its rigid, highly immobile social structure.

Because the Anglo-Americans wanted land to farm, they pushed the Indians off it; because the Spanish wanted converts and riches, they subjugated the Indians. Thus, the Spanish created a slave class, and forced the Indians to perform all the manual labor. In Anglo America there was very

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<sup>21</sup>Ibid., p. 117.

little mixing of the races; in Spanish America the races mixed rather freely.

From the several important characteristics discussed here, one can readily understand why there is such divergence, even today, between the Anglo-American culture and the Latin American culture.<sup>22</sup>

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<sup>22</sup>George A. Hedger, An Introduction to Western Civilization (revised edition; New York: The Odyssey Press, 1939), pp. 21-22.

## CHAPTER V

### THE ELEMENTS OF A PHILOSOPHY OF MANAGEMENT

#### The Meaning of Philosophy of Management

The word philosophy is used in many different senses. Some writers use it to refer to the study or science of the truths or principles underlying all knowledge and reality. A more general usage of philosophy, according to American College Dictionary, denotes a system of principles for guidance in action. This last is the general usage of philosophy in the area of management.

Throughout management writings the word philosophy denotes a set of attitudes, beliefs, and guides which serve as a basis and foundation for the approach to managerial decisions. Contrary to popular belief, philosophy, in this sense, is not a hazy, hard-to-understand statement concerning hazy, hard-to-understand abstractions. Rather, a philosophy, whether it be of life or management, is a useful set of practical guides to every-day action. A person's attitudes and beliefs concerning others, for instance, constitute, for him, a philosophy upon which he bases his actions toward others.

Every manager must every day call upon his philosophy of management to help him solve his business problems. He takes each alternative solution to a problem and applies the overlay of his philosophy. The alternatives which are then visible to him constitute his range of alternatives.

There is nothing inherently good or evil in a philosophy, per se. It is merely a collection of conceptions, convictions, and opinions. These become "good" or "evil" only when compared with the norms of behavior that society deems accepted, customary, and approved. Furthermore, every manager has and uses his own philosophy of management. No manager who had ever thought about his relationships with his employees, his stockholders, his customers, his suppliers, and his community can be without a philosophy of management. If a manager has given any consideration to his association with these groups, and he must have at some time, then he most certainly has formulated certain attitudes and convictions about them. These attitudes and convictions constitute his philosophy.

The fact that each manager has a management philosophy does not mean that all such philosophies are identical. Nor does it mean that they all have been equally well thought out. Among businessmen, however, there are certain widely held

beliefs and conceptions concerning the elements of the environment in which business operates (for example, employees, government, customers).<sup>1</sup>

Every thought-out management philosophy contains certain elements--an administrative element, an economic element, a political element, social elements, and an ethical element. To integrate these seemingly diverse elements "is difficult because by its nature a philosophy does not have the precision of a law of physics. So people may differ in their philosophical interpretations. But . . . unless management accords with the general philosophical outlines and inclusions of its times (and places), it will lose its rights of leadership."<sup>2</sup>

Now that the reader is acquainted with the general nature of a management philosophy, the elements of such a philosophy can be examined in detail.

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<sup>1</sup>Ralph C. Davis has received acclaim for his statement of a philosophy of management. See "A Philosophy of Management," Journal of the Academy of Management, Vol. 1, No. 3 (December, 1958), 37-40.

<sup>2</sup>Michael J. Jucius and William E. Schlender, Elements of Managerial Action (Homewood, Illinois: Richard D. Irwin, Inc., 1960), p. 20.

### The Administrative Element

Fundamental to any philosophy of management is the premise that an area of management activity exists. Inherent in this premise is the belief that all organized activity has two basic aspects. One of these aspects concerns the organic functions of the group. That is, the group has determined that certain functions must be carried out if the group is to survive. In a primitive society these organic functions might be such activities as gathering and preparing food, educating the children to the customs, practices, and beliefs of the group (for example, how to hunt, make clothes, cook). In a modern industrial organization these organic functions take the form of producing economic goods, marketing those goods, financing the operation, and accounting for the funds flowing through the business.

The second basic aspect of this premise is the conviction that there are certain functions which are common to all the organic areas of the organization. These functions are concerned with overseeing the activities of each of the subgroups. This aspect of the premise holds that besides the activities which lead directly to the accomplishment of the organic functions, there is another set of activities which aids the group to carry out the activities effectively

and efficiently. Specifically, these activities deal with the subgroups and individuals within those subgroups as distinguished from the organic functions themselves. These activities, woven through all the organic functions, deal with ways and means of coordinating the activities of the subgroups so that they work together, and complement one another. This aspect of the basic premise establishes the existence of managers and of the whole area of management. This aspect of the basic premise establishes the concept that through the performance of certain mental activities a person can coordinate the fundamental activities of subgroups and thus aid them to perform successfully those activities. The mental activities which lead to the coordination of subgroup effort are the organic functions of management, namely, planning, organizing and controlling.<sup>3</sup>

A philosophy of management must do more than merely answer the question of whether or not there exists such a

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<sup>3</sup>Disagreement exists among management scholars concerning the terminology describing the organic management functions, and on the number of organic functions. For instance, Ralph C. Davis in Industrial Organization and Management (third edition) claims only three organic functions exist--planning, organizing, and controlling. Harold Koontz and Cyril O'Donnell say in Principles of Management (second edition) that the organic functions number five--planning, organizing, staffing, directing, and controlling. These examples are two of many which exist and could be cited.

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phenomenon as management. The philosophy must also satisfactorily determine whether or not there exist any guides and/or principles upon which managers may rely. If there are guides and principles, they can be recorded and passed on to future managers.

This aspect of a management philosophy decides if management is an art or a science. A satisfactory answer to this question is strategic to the philosophy. If management contains no guides, laws, or principles or any of the other elements of a science, then it must be an art. If it is truly an art, then everything which has ever been written about management is of little or no use, and all those who profess to teach management are either estupidos or frauds. An art cannot be codified; an art cannot be taught. Expression of an art is an individual matter. Art is skillful performance which comes from within a person and which can be learned only through practice and experience. What can be taught is science. A person cannot be taught to sing, but he can be taught proper breathing, proper throat control, proper voice modulation. The first thing taught in an art class dealing with human subjects is anatomy. Before the student can create a human image on canvas he has to learn how the parts of the human body are connected--where all the bones

are located and where all the muscles are located. One of the aspects of a management philosophy, therefore, must satisfy the question of whether or not management is an art, a science, or a combination of each.

For the most part, business practitioners and business academicians, at least in the United States, agree that there is a subject area of management and that it is partly a science and partly an art. Businessmen and scholars have not always held this position. For instance, in the United States, before about 1880, management was considered an art.

"A 'manager' was born or was made so in the hot crucible of experience. He thus relied upon intuitive guidance when faced with a decision. . . . So in a sense he learned nothing from previous generations and could pass nothing on to succeeding generations as far as managerial skills were concerned."<sup>4</sup> Fortunately, however, Frederick W. Taylor and a few others, such as Henry Gantt, Henri Fayol, and Frank and Lillian Gilbreth, were not convinced that management was truly an art. Rather, they felt that somewhere in management there was a logic, that management embodied basic principles and relationships. Moreover, they

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<sup>4</sup>Jucius and Schlender, op. cit., pp. 15-16.

felt that these principles could be set down, codified, and communicated. They felt that management contained a science.

Modern management writers agree that little or no attempt was made before the time of Taylor to formulate management principles, or, for that matter, management truisms. Evidence of this stems from the noticeable absence from business literature of any such undertakings. If management was considered an art which one could learn only through years of experience, it did not make much sense to write about it.

As noted earlier, modern businessmen and others who are concerned with group coordination believe that management contains a science. Certain areas of management, for the moment, must still remain in the realm of art, they will agree. But the search for underlying principles carried on since the turn of the century has uncovered many.

For the most part, management is considered an art in Latin America. Several indications tend to support this statement. In searching through books and periodicals on Latin America for possible use in this study, this writer has yet to see a reference which deals with management in Latin America from a Latin American viewpoint. Furthermore, only rarely is management taught in Latin American schools

and universities. The major emphasis is on the liberal arts and in some instances a few engineering courses. "Until ten or fifteen years ago the average university in a Latin American republic consisted of the school of liberal arts, often very advanced, a school of law, a school teaching the rudiments of chemistry and medicine, and another that provided a smattering of engineering."<sup>5</sup>

One might hastily conclude that the universities in Latin America are relatively young and have not had an opportunity to develop business curricula. This conclusion is not valid. Several Latin American colleges and universities were established long before the oldest in the United States. The University of Santo Domingo, for instance, was established in 1538, sixty-nine years before Jamestown was established. The University of San Marcos, in Lima, Peru, predates Harvard by almost 100 years. The University of Mexico was established at about the same time as Harvard. These institutions are well established, not newcomers.

Another indication which lends support to the notion that management is considered an art in Latin America is the sparing use of scientific method in Latin American

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<sup>5</sup>Edward Tomlinson, Look Southward, Uncle (New York: Devin-Adair Company, 1959), p. 89.

business operations. Since Frederick Taylor popularized the use of scientific method as an aid to managerial decision making, it has become basic to United States management philosophy. Though the scientific method has been stated many times in many ways, Ralph C. Davis explains it probably as well as any. "The term 'scientific method' may refer to any orderly method that seeks to apply the logic of effective thinking to the solution of some type of problem." The following analysis has been helpful to this writer:

1. Recognition of the problem, and the general determination of the principle difficulties that are involved.
2. Preliminary observation and analysis of the situation, including the determination of the limiting factors in the problem.
3. The development of tentative solutions.
4. The testing of proposed solutions.
5. The development of the best practicable solution.
6. The final testing of the solution.
7. Intelligent compromise.
8. The installation and activation of the agreed plan.<sup>6</sup>

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<sup>6</sup>Ralph Currier Davis, Industrial Organization and Management (third edition; New York: Harper & Brothers, 1957), p. 61.

Utilization of this attitude or approach is widespread and not limited to business management. The scientific method meshes nicely with the general Anglo-American cultural attitudes which encourage an analytic approach to all types of decision-making activities. As a result, the scientific method is the most used of any of the tools of management.

Items 1 and 2 in the above list involve getting a clear view of the exact nature of the problem. This is never easily accomplished. Often what appears, at first view, to be the problem is merely a symptom and not the nucleus of the problem. For instance, management may see high production costs as a problem and institute a cost-reduction drive. In reality, the problem may be poor engineering design. Or, management may see a clear-cut case of personality clash when the real problem stems from a poor organization structure. Symptomatic diagnosis is used by many managers, but it is based on experience and not on analysis of the problem at hand. Furthermore, implicit in symptomatic diagnosis is the assumption that certain symptoms reveal specific problems. In management, this does not hold true. Certain symptoms could result from many kinds of problems. One must always keep in mind that symptoms and causes are not the same things.

This first phase of decision making is strategic to the total process. Therefore, it must not be hurried. Many books on leadership contain advice on how to make quick, vigorous decisions. Deciding quickly what the problem is could be a most time-wasting activity.

In analyzing the problem one must extract the significant elements. From each of these major problem elements, the analyst must extract the most important of the minor elements. Analysis of the problem is vital to achievement of a workable solution because one must see clearly the components of the problem. By dividing the problem into its major components, it is reduced to manageable proportions. The proper execution of this process aids the analyst in isolating the causes of the problem and in determining their effects on the major and minor functions and on various levels in the scalar chain.

Through achieving a lucid comprehension of the elements of the problem, the analyst can determine the kinds of information concerning each of the elements he will need to develop alternative solutions. While gathering this information, he gains sight of the futurity of the decision (the time spans for which likely alternatives will commit the organization to courses of action), the complexity and number



of qualitative considerations involved (those considerations which cannot be quantified accurately), and the uniqueness or periodicity of the problem.<sup>7</sup>

Securing the necessary facts and correctly analyzing and interpreting them requires perception and imagination. The analyst must perceive the underlying patterns of relationships among the problem's various elements.

Seldom, if ever, does a manager have all the facts he needs. If one knows exactly what the problem is and knows all the facts, all he has to do is choose from two or three obvious alternatives. This choosing is almost mechanical--it requires very little judgment. Generally, however, the manager has to make decisions based on incomplete information. The information may be unavailable, or, available but too expensive to get. In either case, he must determine exactly what he does not know, judge how much risk it involved in making the decision without the information, and how quickly any wrong decision can be reversed. Peter Drucker explains it this way: "When information is unobtainable, guesses have to be made. And only subsequent events can show whether

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<sup>7</sup>Peter F. Drucker, "Making Decisions," Max D. Richards and William A. Nielanders, editors, (Readings in Management (Cincinnati: South-Western Publishing Co., 1958), p. 160.

these guesses were justified or not."<sup>8</sup>

After securing available information and defining the unknown, the decision maker should develop all practicable alternative solutions to the problem. Several alternatives at least should be developed to avoid confusing contrasts with contradictories--to avoid forcing trichotomies, for instance, into dichotomies. It is impossible to follow the best course of action if that course is not included in the list of alternatives.

A decision maker always has at least two alternatives available--do something or do nothing. Too frequently, do nothing is not included in the list of alternatives. Taking no action is a decision--sometimes problems do go away if they are purposely ignored.

For twenty years a large shipbuilding company had difficulty filling one of its top jobs. It never had anyone really qualified for the position. And whoever filled it soon found himself in trouble and conflict. But for twenty years the job was filled whenever it became vacant. In the twenty-first year a new president asked: What would happen if we did not fill it? The answer was: Nothing. It then turned out that the position had been created to perform a job that had long since become unnecessary.<sup>9</sup>

Only after preparing comprehensive lists of workable solutions does the decision maker try to determine which is

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<sup>8</sup>Ibid., p. 161.

<sup>9</sup>Ibid., pp. 163-64.

best. Sometimes each alternative is put into effect on a small scale to determine its influence on the problem. Such testing is not always feasible, however, and other means must be employed.

At this point in the decision making process only the alternatives which will completely solve the problem remain. Some of them, perhaps, cannot be instituted quickly, only gradually. But all must solve the problem.

Certain areas should be scrutinized in evaluating the relative merits of each alternative--risk, economy, timing, and limitations.

Each alternative will contain some element of risk. The decision maker must weigh the risks of each alternative against the expected results of each alternative. The decision maker must not stop his evaluation after determining the risks and results in absolute terms. The important consideration is the ratio of risks to results.

The second area, economy, refers to judging which of the alternatives will achieve the desired results with the least effort and least commotion.

Not all the alternatives can be put into effect at the same rate of speed. Some will require, perhaps, a complete, over-night change; others will require a slow, deliberate,

step-by-step introduction. "Wherever managers must change their vision to accomplish something new, it is best to be ambitious, to present to them the big view, the completed program, the ultimate aim. Wherever they have to change their habits it may be best to take one step at a time, to start slowly and modestly, to do no more at first than is absolutely necessary."<sup>10</sup>

. The fourth area concerns limitations of resources. Will any of the alternatives create intolerable stresses on resources; will any of the alternatives require resources which are not available in sufficient quantities? Questions in this area should be aimed at determining if the organization has the means of following the course of action through to the end.

All the efforts required to complete each step described thus far will be wasted unless the solution is implemented--unless the solution is effected through action. By their very nature, managerial decisions are implemented by persons other than the decision maker. Therefore, the decision must be effectively communicated to the implementers. They must clearly understand what changes in their behavior

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<sup>10</sup>Ibid., p. 165.

are expected. In addition, they must be sufficiently motivated to make the necessary changes. "But motivation is a problem in psychology and therefore . . . requires that any decision become 'our decision' to the people who have to convert it into action. This in turn means that they have to participate responsibly in making it . . . people who have to carry out the decision should always participate in the work of developing alternatives."<sup>11</sup>

The lack of utilization of such a concept as scientific method undoubtedly hampers Latin American decision makers. Why they make little or no use of it warrants discussion.

The effective utilization of the scientific method requires patient, careful, orderly thinking and the ability to see reality objectively. The Latin American, however, tends to be impatient, impulsive, emotional, and to disregard objectivity.<sup>12</sup>

Patience does not seem to be a common characteristic

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<sup>11</sup>Ibid., p. 166.

<sup>12</sup>Harry Stark, Modern Latin America (Coral Gables, Florida: University of Miami Press, 1957), p. 70. Also, Latin Americans were described in these terms by Professor Robert West, Louisiana State University, Department of Geography in an interview with this writer.

among Latin Americans. This becomes apparent when one examines the politics of Latin America. Revolution is a commonly employed tool in Latin America because it is a quick means of putting out the party in power. When Latin Americans dislike the manner in which the party presently in power behaves, they find it difficult to wait for the slow process of democracy to effect a change. Consequently, they set about to force an overthrow of the government. This attitude helps explain why revolutionary reform regimes in Latin America do not retain popularity for long periods. The impatient citizenry expects the new government to "pass with one leap from chaos to perfection."<sup>13</sup>

When the regularly elected president cannot bring about rapid improvements, he loses his popularity. When he loses his popularity, he will soon after lose his position. This characteristic, impatience, also helps explain why Latin America seems to have more than its fair share of dictators. Suppose, for the moment, that the president or political chief is duly elected. Soon after taking office he discovers that the over-organized governmental structure is slow moving. From the president's point of view, who also is the

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<sup>13</sup>Ibid., p. 65.

impatient sort, the wheels of government will not turn. He feels hampered by red tape and becomes impatient with the bureaucrats and functionaries. This frustration leads him to begin "cutting corners" and taking "short cuts." His reasons for beginning the centralization of power are laudable--he wants to bring progress. More and more he centralizes authority in the interest of progress until he is the sole policy formulator. More than one political savior has followed this path to dictatorship. One authority puts it this way: "He is an ardent idealist and any means are justified if his ideal can be attained. . . . In any case, a dictator is a do-it-now man where, in a land in which mañana is the busiest day of the week, he is by contrast with his fellow humans an exceedingly superior individual."<sup>14</sup>

Latin Americans often are described as impulsive. That is, they are activated or swayed by emotion. Basing action on emotion is accepted, expected, and desired among Latin Americans because giving immediate expression to one's feelings is accepted, expected and desired. Latin Americans are men of passion.

In writing about the Spanish influence on Latin

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<sup>14</sup>Curtis Wilgus, South American Dictators (Washington: The George Washington University Press, 1937), p. 7.

America and specifically on using emotion and intuition as the basis for determining action, William Schurz noted:

"So he may not do things according to reason or logic or cold calculation, for his mind is not orderly or systematic, but according to the light of intuition and the urge of strong feeling. He may even do something for no good reason at all, but only by the prompting of caprice."<sup>15</sup>

The scientific method or the analytical approach is useful and important in decision making because it has wrought, time after time, sound decisions and effective results.

Achievement of effective results is enhanced by careful thinking and thoughtful planning. The Latin American, however, is not so interested in results as are Anglo Americans.<sup>16</sup> Action is important to him but not from a results standpoint. The utility of results is unimportant. Since he is a man of passion, action becomes more important than results because it allows the free expression of inner feelings. This is the important element--spontaneous expression.

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<sup>15</sup>William Lytle Schurz, This New World (New York: E. P. Dutton & Co., Inc., 1954), p. 82.

<sup>16</sup>John Fayerweather, The Executive Overseas (Syracuse: Syracuse University Press, 1959), p. 63.



As a matter of fact, passion opposes logic. Logical action requires that expression be subordinated to the will. Logical action reflects a deliberate speed and predetermined direction. Passion reflects spontaneity at whatever speed and direction the emotion of the moment generates.<sup>17</sup>

Scientific method requires disciplined and controlled thinking, but this seems to run contrary to the psychological make-up of the Latin American. This characteristic, disciplined and controlled thinking, is not frequently found because it runs counter to his main tendency, spontaneous expression. In addition, such discipline and control require the sacrifice or subordination of passion to some other aim. And this is contrary to his personality.

The Latin American relies heavily upon intuition, the passion of the intellect, to point out the solutions to problems. Thought among Latin Americans proceeds in a series of direct revelations or perceptions of "truths" concerning the object being contemplated. These perceptions are independent of any reasoning process and, therefore, are neither verifiable nor repeatable. The Latin American tends, therefore, toward action which appears improvised (and often is).

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<sup>17</sup>Salvador de Madariaga, Englishmen, Frenchmen, Spaniards (London: Oxford University Press, 1931), p. 42.

Improvisations are in keeping with passion while cold logic is not. This characteristic leads Latin Americans to act without planning, at least without conscious planning. Salvador de Madariaga touches this notion using the Spanish as examples of men of passion.

Intuition also excludes any possibility of establishing a method beforehand. And in fact, method is far from being a typical feature of Spanish thought. A method, we have said, is a road for the mind. It is difficult to imagine how a road towards knowledge could be traced by people who find themselves in knowledge before they set foot on the road. . . . Spanish thought has a method of its own which is certainly not the road-schedule. . . .<sup>18</sup>

While emotion, as a base for action, may often lead to unsound decisions, improvisations, and ineffective results, attempts have been made to justify it--to explain logically the use of emotion as a base for action. Those who attempt to justify it argue that man has been a reasoning being for, at most, a few thousand years. Before that, man survived by following his instincts and impulses. "The Latin could therefore advance good support for the assertion that those impulses that have survived the great sieve of evolution must be those best suited to man's survival and continued development."<sup>19</sup>

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<sup>18</sup>Ibid., p. 78.

<sup>19</sup>Stark, op. cit., p. 63.

The proponents of this theory claim that the urgings of man's heart might spring from the sifted and stored up wisdom of all that man has learned throughout time. And, by comparison, recorded knowledge must appear rather insignificant. As one philosopher put it:

It is not wisdom to be only wise  
And on the inward vision close the eyes  
But it is wisdom to believe the heart.<sup>20</sup>

In discussing thought in the man of passion, Salvador de Madariaga explains that he contemplates and waits in apparent passivity for the object of the contemplation to reveal itself. "He lets the continuous stream of life pass through him, until chance, a happy coincidence, a secret sympathy, will suddenly illumine it with a new light."<sup>21</sup> The Latin American, a man of passion, is apathetic about circumstances until such time as a flash of perception or intuition moves him. Until he experiences inspiration, and because cold logic and results-oriented action have little appeal, he tends to do things in the manner which involves the least risk and effort. If he faces a situation requiring

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<sup>20</sup>From a poem, "O World, Thou Chooseth Not," by George Santayana and quoted in Stark, op. cit., p. 63.

<sup>21</sup>Madariaga, op. cit., p. 74.

action about which he has no intense feelings, the manner which involves the least risk and effort is to conform to some existing pattern. "If he follows the rules there will be no complaints, he will not have to make a mental effort, and the situation will be taken care of."<sup>22</sup> But how did this characteristic become ingrained in the psychological make up of the Latin American?

The great emphasis on science and utilization of the scientific method resulted from the scientific revolution which swept Europe in the 1500's. This revolution was, in large measure, a result of the Renaissance and the Reformation. Before this time, Europeans patterned their lives and thoughts according to the dogma prescribed by authorities. These authorities were Church officials, political officials (usually, one in the same) or monarchs. For hundreds of years people were told what to do and how to think about practically every aspect of their lives. They were accustomed to authoritarian leadership, expected it, and, perhaps, even demanded it. The Renaissance and the Reformation were changing this--man was expected to think and reach his own conclusions about worldly and religious matters.

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<sup>22</sup>Fayerweather, op. cit., p. 64.

The Renaissance eventually spread into Spain, but the Spanish scholars directed their efforts not to revolt but to attempts at purification and maintenance of the Church. The Reformation, however, never reached Spain because of geographical obstacles and because of the efforts of the Spanish crown to thwart it. Moreover, "Spain . . . became the source of strength of the Catholic Counter Reformation."<sup>23</sup> Thus, the attitude of independent, analytical thinking never became an important part in the approach to decision making and problem solution. Rather, Spaniards continued in their traditional ways of living according to the dictates of dogma and authoritarians. This characteristic became part of the New World's legacy.

Illustrating this point with an example of a United States subsidiary in Mexico, Fayerweather relates:

Another executive could not persuade a personnel manager to develop solutions to some special problems for which he felt the actions prescribed by the existing personnel manual were inappropriate. The personnel manager insisted that they must hold to the procedures in the manual which had been worked out by a group of experts from the home office and therefore represented the approved company approach to personnel management.<sup>24</sup>

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<sup>23</sup>George A. Hedger (ed.), Western Civilization (revised edition; New York: The Odyssey Press, 1939), p. 332.

<sup>24</sup>Fayerweather, op. cit., p. 62.

In another instance, Fayerweather illustrates the general disregard for the scientific method or analytical approach. "A general manager was having trouble because his [Latin American] sales manager would not analyze promotion schemes. The sales manager seemed to feel that any scheme which was big and colorful was good, and he was unwilling to spend time figuring out its cost, its potential impact and the sales increases it might produce."<sup>25</sup>

The very heart of United States approach to business management, scientific method, is ignored and denied in Latin America.<sup>26</sup> Furthermore, United States management philosophy and practices revolve about objectives. All action is evaluated in terms of its helping to achieve the desired stated objectives. In short, United States management is results oriented. In a society which is quite unconcerned with results-oriented action, objectives become meaningless. The disregard for scientific method precludes scientific management.

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<sup>25</sup>Loc. cit.

<sup>26</sup>Stark, op. cit., p. 63; Fayerweather, op. cit., p. 62; Madariaga, op. cit., pp. 74-80; interviews with Dr. Robert West, Louisiana State University, Department of Geography and Dr. John Thompson, Louisiana State University, Department of Foreign Languages.

### Economic and Political Elements

The economic element of the philosophy of management widely held in the United States concerns the right of private property and the concept of a "free" market. The heart of this element of the philosophy lies in the degree of decentralization of economic decisions.

Decentralization of economic decisions requires a minimum of governmental interference with the functioning of the market forces. Obviously, it opposes the centralization of economic decisions by government--fascism, socialism, or communism. Only those restrictions on business which are designed to protect the public interest and to prevent abuses should be tolerated.

But government is not the only source of centralization. This philosophy, therefore, also opposes monopoly--monopoly either of capital or of labor. Economic and individual freedoms are sacrificed in a situation in which monopoly powers hold sway. There are notable exceptions to this phase of the economic element, such as monopolies sanctioned by government. Such instances, however, must be rare if a system of private enterprise is to flourish.

Although United States businesses are subject to many governmental restrictions and regulations, when compared with

Latin American governmental regulations United States regulations are insignificant. One can expect that in countries whose cultural heritage and state of economic development spawns dictator after dictator, business regulations are plentiful. This phenomenon occurs despite the fact that the Latin American dictators frequently have the support of the wealthy classes.

Instances of governmental monopolies abound in Latin America. For instance, in Uruguay the government owns the railroads, electric-power companies, telephone and telegraph systems, most of the banks and all the other utilities and financial agencies.<sup>27</sup> In Argentina, Brazil, and Mexico, governmental monopolies control the oil industries.

Private monopolies, such as the beer monopoly in Mexico also exist. But a United States firm operating in Latin America is especially suspected of monopoly practices. As Tomlinson explains:

A Brazilian banker recently admitted to me that the fight which many local industrialists wage against big United States companies is largely for the purpose of distracting the attention of their own people from the monopolistic practices at home. In Guatemala the United Fruit Company was condemned even by anti-Communist Guatemalans for monopolizing

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<sup>27</sup>Edward Tomlinson, Look Southward, Uncle (New York: Devin-Adair Company, 1959), p. 193.



so much land. At the same time, three-fourths of all the farm lands in the country were owned by a handful of old families, and the government was the largest single producer of coffee in the country. What is more, the government-owned coffee farms were confiscated from their German owners during World War II. . . . In Peru, Chile and several other countries, comparatively few people own the land and run the industries. But only the big foreign-owned companies are denounced as monopolistic.<sup>28</sup>

Viewed objectively, monopolies are not always all bad. Sometimes, the prospect of monopoly privileges generates capital for risky undertakings. Or, such a prospect may lead to innovations and better utilization of resources. "Generally, the chance of becoming a monopoly may encourage profit-motivated enterprises to make economic and technological progress. As Schumpeter argued, monopolization has in some degree been responsible for the development and progress of capitalism."<sup>29</sup>

Like many other things, monopoly privileges achieve the best results if used in only small doses.

As stated earlier, the economic and political elements of this philosophy concern the right of private property.

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<sup>28</sup>Ibid., p. 212.

<sup>29</sup>Adamantios Pepelasis, Leon Mears, and Irma Adelman, Economic Development (New York: Harper & Brothers, 1961), p. 38.

In Latin America, private property rights may be present one day and gone the next--again, the work of dictators. One need not look far to find instances of expropriation in Latin America. The most recent large expropriations have occurred in Cuba where about \$2 billion worth of United States privately-owned property was expropriated. Recently, some United States privately-owned public utilities were expropriated in Brazil. In Guatemala in 1958, under the pro-Communist regime of Jacobo Arbenz, 233,973 acres of land were expropriated from the United Fruit Company. During the late 1930's, the Mexican government expropriated and nationalized the oil industry, the railroads, and certain other utilities and lands. In most of Latin America, the right of private property exists, but at the whim of the government.

Business operates, not in a vacuum, but in a society. It has, therefore, certain responsibilities and obligations to the society which allows its existence.

#### Elements of Social Responsibility

Any philosophy of management must include beliefs and convictions concerning the responsibilities of business toward groups associated with business. These groups include owners, customers, the community, employees and suppliers.

Responsibilities to these groups are reflected in a

heirarchy of objectives. Business must aid each of these groups to achieve its objectives if these groups are to give their support and cooperation to business. Which group's objectives should have primary importance?

The objective of business must be customer service. This aspect of the philosophy is reflected in the United States by renewed and increased emphasis on the "marketing concept." That is, business must be customer oriented to survive. Without customer satisfaction the funds necessary to operate will cease flowing through the business. All costs must, sooner or later, be financed and paid for by sales. Only by securing an adequate number of customer dollars can business finance its operations and meet its social responsibilities.

Customers do not just give up their dollars, they must receive what they consider adequate value in return. This value is essential to business transactions. Service objectives, therefore, must be met if business is to continue. If customers continue to withdraw their support by buying some other product, the business losing customers will eventually fail. Placing emphasis on the service objective assumes competition from similar products or from other products (for example, instead of buying a second car, a

consumer may choose a trip to Europe).

Still another reason explains why emphasis must be on the service objective. Society, or the citizenry, is the ultimate earthly authority. All management authority can be traced to the Constitution (the right of private property) and, ultimately, to the people. Reason indicates that if business ignores the service objective, the people may choose to "vote" them out of business through pressure on the elected officials, or vote to change the Constitution and do away with private property. This sort of action may be slow in coming, but it can come. Consider the number of governmental regulations in existence today as compared with those of 1900. These regulations came about, generally, as a result of abuses and violations of the public interest--of ignoring service objectives. In a society in which all authority flows from the people and in which competition is encouraged, it does not matter whether or not business voluntarily subscribes to the concept of service and value to its customers. Business will be forced, in one way or another, to recognize and emphasize those objectives. The business objective "is customer service in terms of the quality, quantity, time, and expense of whatever goods must

be provided."<sup>30</sup>

Successfully achieving its primary service objective enables business to achieve its collateral objectives.

"Collateral objectives are those values that the business organization supplies to individuals or groups other than customers."<sup>31</sup> These individuals and groups may be associated with the business directly, such as owners and employees, or they may be associated less directly, such as suppliers, bankers and consultants.

The objectives of owners must be achieved if the organization is to prosper and grow. Owners have profit earning as one of their personal objectives. Generally, the hope of making a profit is the original stimulus to invest and to risk the loss of the investment.

In corporations, dividends declared by the board of directors may be a large percentage of net profit, or, they may be a small percentage of it. The dividend policy is determined by the objectives of the owners and the judgment of the board of directors. This body, the board of directors, may decide to retain and reinvest a substantial proportion of

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<sup>30</sup>Ralph C. Davis, Industrial Organization and Management, p. 38.

<sup>31</sup>Ibid., p. 29.

of earnings. If this is the case, they expect the owners to be compensated by an increase in their equity in the business and by an increase in the market value of the stock.<sup>32</sup>

Some stockholders agree with such a policy while others prefer to receive large dividends to supplement current income or to invest elsewhere. Moreover, retained earnings may not be reflected entirely in the market price of the stock.

Large dividends, on the other hand, may risk having insufficient funds available with which to expand the business. "Public policy, as reflected in statutory law and decisions of the courts, is interested that the financial strength and stability of the corporate structure be maintained, that productive capacity be increased to provide for the physical needs of the government and the people, and that increasing facilities provide adequate and steady employment for workers."<sup>33</sup> Attainment of these objectives suggests retaining and reinvesting substantial proportions of earnings.

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<sup>32</sup>Richard N. Owens, Business Management and Public Policy (Homewood, Illinois: Richard D. Irwin, Inc., 1958), p. 164.

<sup>33</sup>Ibid., p. 165.

Dividend policy will not be a problem in wholly United States-owned businesses in Latin America. However, if ownership is shared with foreign nationals, the United States firm can expect pressure for a high dividend rate. This behavior is in keeping with characteristics already discussed, impatience and impulsiveness. Because of their impulsiveness and impatience, Latin Americans are less interested in seeing their investments appreciate than in a high rate of current return. Moreover, a high reinvestment rate requires foresight, planning, and discipline. It requires subordination of the individual interests to the interests of the organization. This phenomenon has little appeal to the Latin American. In writing about the characteristics which the Spanish brought to the New World, Schurz says: "The organization . . . becomes more important than any individual in it. At this stage of industrial evolution, the Spaniard may find himself out of sympathy with the realities of the situation, that is, out of step with what he considers an economic treadmill. . . . He finds it impossible to feel any loyalty to an inanimate corporation."<sup>34</sup> If the Latin finds it impossible to feel any loyalty to an inanimate

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<sup>34</sup>Schurz, op. cit., p. 95.

corporation, he is not likely to feel any compulsion to forego a high dividend rate in the interest of the corporation.

Besides considering customers and owners when considering the social responsibilities of business, one must also include business attitudes toward employees, particularly operatives.

In recent times, several different attitudes toward labor have prevailed in the United States. Before the end of the last century, labor was considered a mere commodity, or, a factor of production. With the coming of scientific management, however, this concept was replaced. The influence of industrial engineers developed a machine concept of labor. The time and motion techniques emphasized labor productivity in terms of quality as well as quantity. Classification and "standardization of jobs and workers are all part of the machine concept of labor."<sup>35</sup>

This concept emphasized the similarities in measuring and timing human movement and machine movement. However, this concept was founded on a false assumption, namely, the concept that workers are machines. But, workers have feelings

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<sup>35</sup>William H. Knowles, Personnel Management (New York: American Book Company, 1955), p. 21.



and emotions and can vote.

Eventually, the concept of labor as a machine gave way to another concept, labor as a natural resource. This concept resulted from the work of welfare economists who concerned themselves with social costs and the economic wastes of unemployment, underemployment, worker ill health, low levels of education, and other aspects.

As early as the turn of the century labor became humanized. That is, employers began to realize that workers were human beings. While this concept of labor is in fashion today, in the minds of some persons certain segments of the labor force are still considered commodities and machines incapable of delicate feelings. This attitude, a result of equating lack of refinement with machines, is no longer the mode. The prevailing concept of labor portrays workers as persons, as human beings with emotions, sensitivities, and personalities (and still more votes). The humanistic concept was given a strong push forward by the famous Hawthorne Studies,<sup>36</sup> which fathered the present modal concept toward employees, the human relations approach.

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<sup>36</sup>For a detailed description of the Hawthorne Studies see F. J. Roethlisberger and W. J. Dickson, Management and the Worker (Cambridge, Massachusetts: Harvard University Press, 1939).

One outgrowth of the "human being" concept of labor was paternalism. Characteristic of this attitude is the feeling that the employer has a responsibility for the welfare of his employees both on and off the job. This responsibility is often manifested in such items as housing, food, medical care, schools, and other services. In return for these benefits, the worker is expected to be productive and loyal.

Paternalism has its roots in feudalism; paternalism is basically a master-servant relationship. Under such a system, the worker is dependent upon the employer for security and protection, as well as for a living. To a degree, the employer injects himself into the non-work activities of his employees. "Many employers have quite seriously and conscientiously regarded themselves as the 'great white father' so far as employees are concerned."<sup>37</sup> Ingrained in the paternalistic attitude of employers is the belief that employees have not the ability to know what is best for them--similar to a father's attitude toward his children. Though it concerns a labor dispute, the following

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<sup>37</sup>Dale Yoder and Herbert G. Hineman, Labor Economics and Industrial Relations (Cincinnati: South-Western Publishing Co., 1959), p. 176.

excerpt from a 1902 letter from George F. Baer, President of the Philadelphia and Reading Railroad Company illustrates the paternalistic attitude.

I see that you are evidently biased in your religious views in favor of the right of the workingman to control a business in which he has no other interest than to secure fair wages for the work he does. I beg of you not to be discouraged. The rights and interests of the laboring man will be protected and cared for, not by the labor agitators, but by the Christian men to whom God, in His infinite wisdom, has given control of the property interests of the country.<sup>38</sup>

Paternalism, like parenthood, traces authority to a "divine right."

In Latin America, two of these concepts are evident --the commodity concept and the paternalistic aspect of the human-being concept. Not only are they evident, but they frequently are held simultaneously.

William Knowles points out that frequently people are accustomed "to thinking of slaves, peons, serfs, and anyone living on 'the other side of the tracks' as being little more than machines or commodities."<sup>39</sup> This concept is part of the total attitude of disregard for persons of lower

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<sup>38</sup>Frederick Harbison, and Charles A. Myers, Management in the Industrial World (New York: McGraw-Hill Book Company, Inc., 1959), p. 52.

<sup>39</sup>Knowles, op. cit., p. 22.

social classes. And, in Latin America social class awareness is much more pronounced than in the United States. The disregard for persons of lower classes is traditional, approved, and even expected. To the middle and upper classes in Latin America, the lower classes are another world. The lower classes are simply ignored. As Fayerweather explains it, when Mexicans of the higher classes express the "Mexican" attitude on some topic, they are referring to those Mexicans in the higher classes and are ignoring the viewpoints of the lower classes. "The rest (the lower classes) just were not part of his consciousness. . . . They are quite conscious of poverty as a fact and of the lower classes as segments of the society of which they are happy not to be members, but they do not have an empathy or feeling for the thoughts and attitudes of people at that level."<sup>40</sup> The higher classes take a detached, indifferent attitude toward the lower classes. Persons in these classes are considered commodities, not human beings.

"The Mexican lower classes themselves are aware that they are at the bottom of the heap. They expect to be ordered around, to act subservient, and in general to do the

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<sup>40</sup>Fayerweather, op. cit., p. 91.

dirty work of society and get very little in return. . . .

There is no pride in being a common man as such or in having risen from the masses. . . ."<sup>41</sup>

Latin American nonagricultural employers hold, at best, a paternalistic attitude toward employees. Widespread paternalistic attitudes are a logical outcome of the pre-industrialization attitudes toward labor and of the role of the father in the family. For hundreds of years, in Latin America, feudal patron-peon relationships existed. The farm laborers were (and in many instances still are) completely dependent upon the patron to supply all his needs. With such a system ingrained in the society, the fact that it is carried over into industry and business should be expected. Workers in such societies are economically and socially insecure. "They, therefore, approach their employers with a predisposition to accept a strongly dependent relationship in which management commits itself to responsibilities for their economic and social welfare. . . ."<sup>42</sup>

The role of the father in a Latin American family tends also to strengthen and continue paternalistic attitudes.

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<sup>41</sup>Loc. cit.

<sup>42</sup>John Fayerweather, Management of International Operations (New York: McGraw-Hill Book Co., Inc., 1960), p. 282.

The father is the sole source of authority and the decision maker for the family. He never allows the father-son relationship to become relaxed. "The father's relationship with the child is restricted to setting policies and to providing the strong punishment. . . . The state of dependency of the child is extremely strong."<sup>43</sup> Even the home life of the Latin American conditions him to dependency, to paternalism. Paternalism can manifest itself in many ways. Also, it may be voluntary or involuntary. It plays an important role, for instance, in business' responsibility to the community.

#### Responsibility to the Community for Progress

Although customers, owners, suppliers and employees are parts of a community, they are not the whole community. Probably other groups are also parts of the community. Besides, the community is larger than the sum of its parts. Also, the usage of community is not limited to the area or particular town in which the business is located. Rather, it is every place on which a business has any impact or influence, be it nation, hemisphere, or world.

The most important business responsibility to the community is the responsibility to attempt to raise the

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<sup>43</sup>Fayerweather, The Executive Overseas, p. 25.

community's standard of living. This aspect of the philosophy relates directly to consumer value. That is, by achieving its service and collateral objectives, business discharges part of its community responsibilities. But community responsibilities are even broader. Davis says the management philosophy "emphasizes the prior obligation of private enterprises and their owners and employees to contribute significantly to a standard of living that is being augmented continuously through time. . . . This philosophy commits owners and managers to the active promotion of social and economic progress."<sup>44</sup>

Contributing to social and economic progress in Latin America may result from voluntary or involuntary paternalism. For example, a business beginning operations in Latin America may be "forced" to train persons in certain industrial skills. Persons achieving these skills represent a net gain to Latin America. However, United States firms operating in Latin America may be "forced" to provide services considered paternalistic and which may bring only indirect benefits. For instance, a general factor in worker productivity is

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<sup>44</sup>Ralph C. Davis, "A Philosophy of Management," The Journal of the Academy of Management, Vol. 1, No. 3 (December, 1958), 38.

health and nutrition. In developing areas, such as Latin America, balanced diets are rare. Such conditions may prompt management to supply free medical care and at least one free meal a day.

Even though the United Fruit Company is often accused of exploiting Latin Americans (accused both here and abroad) and other imperialistic behavior, it has an outstanding record of service in the public interest and of contributing to social and economic progress in Latin America. John C. McClintock, Assistant Vice-President, United Fruit Company, remarked on this point in 1957:

Basically, I think that the development of a "community of self-interest" is the most promising approach to the problem and, at the same time, the soundest way of doing business in Latin America. . . . In 1955, the United Fruit Company paid about \$23 million to the Central American governments in taxes and duties. The total payments made to individuals . . . came to nearly \$107 million.

Since its organization in 1899, the United Fruit Company has spent over \$500 million in tropical betterment projects. We have reclaimed land which others in the banana business were forced to abandon and we have endeavored to put in new crops that would benefit the national economies.

We employ over 81,000 Latin Americans. If the size of the average family is set at five--and that is a conservative estimate--over 400,000 men, women and children are dependent on the United Fruit Company for their livelihood. In 1955 . . . we spent over \$1 million on schools, \$3½ million on hospitals, \$1 million for sanitation, and \$10 million in other social benefits.



We operate an agricultural school at Zamorano, Honduras. This institution . . . has been endowed with \$5 million by the United Fruit Company. . . . There is a student body of 175 boys; they follow a three-year curriculum. Tuition, room and board, and such items as clothing and textbooks are free. We make only one proviso--none of these boys may work for the United Fruit Company when he finishes his schooling. What they learn . . . they take back to their own families and homes and communities.<sup>45</sup>

This record reflects significant contributions to social and economic progress.

United States management philosophy recognizes the responsibility of business to help the community to raise its standards of living. But the United States firm operating in Latin America probably will have to assume a more direct role in this regard than would a similar firm operating in the United States. The United States firm in Latin America may have to construct houses, schools, roads, stores and recreation centers simply because adequate facilities in many areas simply do not exist. To operate in Latin America, a United States firm may be forced to assume a paternalistic attitude toward employees and the community.

The attitudes of the business community toward the

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<sup>45</sup>John C. McClintock, "United Fruit Company Abroad," Dan H. Fenn, Jr., editor, Management Guide to Overseas Operations (New York: McGraw-Hill Company, Inc., 1957), pp. 37-38.

society in which business operates is influenced greatly by the attitudes of the society toward the business community. That is, the attitudes of society have an influence on the philosophy of business. For this reason, the social status of business deserves attention.

Every society contains social classes or ranks; it has an orderly social structure. This social structure can be conceptualized as a set of steps with each step representing a separate recognizable class or rank. Furthermore, each person in a society has his position or rank within that social structure and even within certain classes.

The social structure results from the objective application of criteria in two general areas. The first area is ascription, which refers to the society's application of certain evaluative criteria independent of any action by the person evaluated. For instance, ancestry may place a person in a particular class, and this is a criteria over which the individual has no control. Being born into a royal family, or being born Irish, or being born Negro obviously is beyond the individual's control. The second general area is achievement. Achievement refers to evaluation of results of an individual's efforts. Though the problems associated with social mobility will be discussed later, at this point it is

important to note that after a person has been ascribed a particular status, his efforts might raise or lower his status. Sometimes raising and lowering crosses class boundaries, but more frequently it involves position within a given class.

Some specific determinants of social status seem to be common among various societies. One of these, which bears on this problem, is the functional utility which a person serves in his society.<sup>46</sup> That is, a person is held in esteem or in disesteem by virtue of the sort of occupation or profession he follows. This criteria is influenced by what members of the society consider important and worthwhile work.

The cultures of the United States and Latin America have at least one aspect in common. The members of both societies relegate those who perform manual labor to the low end of the social scale. The other end of the scale is occupied by different categories of persons, however. In the United States, the members of top management of large businesses rank very high in the scale on the basis of functional utility. In Latin America, however, the top of the social

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<sup>46</sup>Joseph H. Fichter, Sociology (Chicago: University of Chicago Press, 1957), p. 43.

hierarchy is occupied by lawyers and doctors. Also in the elite group are historians, economists, scientists, and other highly-educated persons.<sup>47</sup> Engineers are in the elite group but occupy a slightly lower level.

In the next class come persons who have no profession. Within this group government officials rank first and are followed by military officers. Next come the businessmen. These are probably the lowest of the group. Within the business group not all occupations are equal, however. Bankers and accountants are well regarded, but the "man who is just a sales manager or personnel manager or even a general manager has virtually no professional status, however."<sup>48</sup>

Some of these persons in business may become quite successful and wealthy--more successful and wealthier than many professionals--but they, nevertheless, do not have professional standing. Businessmen are considered as unscrupulous, scheming persons of low moral character. This is the traditional characterization of traders and merchants and has carried over to all businessmen. Consequently, business is held in relatively low esteem and not an

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<sup>47</sup>Fayerweather, op. cit., p. 95.

<sup>48</sup>Loc. cit.

occupation one would enter "voluntarily." A man enters business when he cannot enter any of the professions. The most intelligent and most able persons enter the professions. Those persons outside the professions are ever mindful of their lower position on the social scale. The businessman is simply not ascribed the respect in Latin America that he enjoys in the United States.

Realization that he is considered professionally inferior can generate feelings of pessimism in an individual. Under the best of circumstances he would find it difficult to conjure enthusiasm for his work knowing that regardless of achievements he cannot gain the social respect he desires. This is especially troublesome to Latin Americans because professional status is accorded heavy emphasis.

Just because a Latin American enters business does not mean that he will earn any less money or accumulate any less wealth than those persons occupying higher ranks in the social scale. Often the Latin American businessman earns more money and becomes wealthier than one of higher status. But, unless the society emphasizes earning power as a status determinant and an important measure of success, it is not likely to become a suitable substitute for status accorded a profession. In Latin America, money is a poor substitute for the status of a profession.

The position of low esteem in which Latin Americans hold business and businessmen has many ramifications. For instance, it has considerable impact on attracting, recruiting, selecting, and hiring new employees, on labor relations, on community relations and especially on customer relations. As noted earlier, the low rank on the social scale results from unscrupulous behavior among businessmen and the belief that they basically are parasitic and therefore contribute little or nothing to society.

Still another reason which helps explain the low esteem of business and businessmen is the Latin American's need to humanize and personalize. Personalism, which will be discussed in detail later, demands the human touch and emphasizes personal contacts. The most effective results are obtained when business is transacted on a personal basis, preferably on a friend-to-friend basis. Large businesses, by virtue of their size, tend to de-emphasize personalism and therefore lose some of their appeal. Large enterprises are too impersonal to suit or excite a Latin American. As J. Fred Rippe described the Latin American, "He had not great eagerness to carry on business by means of big corporations like those so prevalent in the United States and Western Europe. He was likely to expect the government to take

charge of enterprises when they seem too big for business partnerships composed of small associations of kinsmen and personal friends. . . ."49

This same pattern emerges in politics and even in religion. In politics the man is important--more important than an idea. Harry Stark also comments on this aspect of the Latin American's traits: "The Latin will follow a man more readily than a principle."<sup>50</sup> When the leader passes from the picture, the organization is adrift until another man or leader emerges. Latin Americans seek out strong men to lead and often are more interested in following the man than in where he is leading them. As one philosopher put it, "an institution is the lengthened shadow of a man."<sup>51</sup> The concept of personalism is an important element in the Latin American philosophy of living. The lack of personalism is another feature of business which makes it unenticing to a Latin American.

### Ethical Element

Adam Smith's Wealth of Nations initiated the change

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<sup>49</sup>Rippy, op. cit., p. 529.

<sup>50</sup>Stark, op. cit., p. 69.

<sup>51</sup>This saying is attributed to Ralph Waldo Emerson and quoted in Stark, op. cit., p. 70.

from government-directed economic activity, mercantilism, to decentralized, self-interest, individual initiative economic activity. Laissez-faire and enlightened self-interest became the predominant economic philosophy of the United States.

This economic philosophy changed gradually over years; business, society, and government came to realize that what constituted enlightened self-interest was frequently contrary to the public interest. As the size of businesses increased, as they became more impersonal, and as the possible conflict between self-interest and public interest became apparent, there came increased emphasis on business ethics and business morality.

Enlightened self-interest has by no means disappeared from the business scene. Profit is the primary stimulus to investment and investment is the strategic factor in a free economy. However, through the years, self-interest has become tempered and mellowed by other considerations--considerations concerning groups other than owners.

Every manager must evaluate his actions in terms of their contribution in achieving desired objectives. This evaluation is simply a manifestation of self-interest motivations.

Contribution to gaining objectives cannot be the only



criterion by which a manager evaluates his actions. He must also evaluate his actions according to ethical and moral standards. Making this evaluation may be difficult because determining if an action is "right" or "wrong" is largely subjective. Thus, it is beyond the realm of science and scientific method and lends itself to neither quantification nor experimentation. Concepts of ethical conduct, or, of what is "right" or "wrong," are determined by traditions, customs, environment, and the prevailing religious beliefs. "Aristotle pointed out that ethics could never be an exact science."<sup>52</sup>

Ethics and values vary from culture to culture because the basis for verification of ethics and values varies among cultures. Some cultures may ignore some of the bases and emphasize others, or, use some rather than others for particular classes of value ideas. Honigman lists these bases for verification and maintenance of values:

1. Consensus--Where there is social consensus regarding utility or reasonableness of values, they remain accepted.
2. Authority--Certain values will be maintained as

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<sup>52</sup>John U. Nef, The United States and Civilization (Chicago: The University of Chicago Press, 1942), p. 198.

long as they are affirmed by a figure of high prestige.

3. Practicality--Values may be held if they seem practical even if their practicality is never tested.

4. Logical consistency--A value may be held until logical argument shows it to be inconsistent with some other generally accepted premises.

5. Reliability--A value may be held so long as it works in the experience of the community.

6. Analogy--Values often are maintained because they parallel another value which meets any of the preceding bases.<sup>53</sup>

Values and ethical standards vary, therefore, according to cultures and, also, according to which bases of verification and maintenance receive the most emphasis. Furthermore, not all values in a code of values in a given society receive equal emphasis. Stealing, for example, may be strictly forbidden while disobedience is tolerated. Or, the reason or motive prompting one to steal may serve to condemn or condone the act. When working abroad, one need not accept the value structure of the host society, but he must attempt to understand and respect it.

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<sup>53</sup>John J. Honigman, The World of Man (New York: Harper & Brothers, 1959), pp. 598-99.

Latin Americans prefer to put business dealings on a personal basis, as noted earlier. Since the individual and his personal relationships are so important to Latin Americans, they attempt always to make them as pleasant as possible (except when dealing with subordinates). Making these relationships as pleasant as possible often leads them to gloss over unpleasant subjects or any matter which may cause trouble or irritate the other person.

Thus, frankness, accuracy, and objectivity are sacrificed for the sake of agreeableness, politeness, and pleasantness. This attitude is further strengthened by the Latin American's tendency to emphasize the enjoyment of the moment.

While United States managers are not against pleasantness and agreeableness, they place heavier emphasis on accuracy and objectivity and are willing to sacrifice pleasantness to achieve them. United States managers prefer accuracy and directness even in reporting unpleasant facts and opinions.

A poignant example of value variances lies in the attitudes toward stealing. The incidence of stealing by employees is higher in Latin America than in the United States. The variation in frequency is explained, at least in part, by the lower living standards which creates a greater incentive

to steal. . Furthermore, in the United States, the social stigma attached to thieves works to minimize the frequency of thefts, to say nothing of the legal penalties. Traditional in Anglo-American society is the feeling of mutual trust even among strangers. In Latin America, no such trust exists; therefore, the deterrent effectiveness of the social stigma is lessened. The thief is not destroying an important social value, mutual trust, because it does not exist. Consequently, the thief is not injuring society but only the person from whom he steals. Moreover, the stigma is lessened further if he steals from a large impersonal corporation--and still less if it is a United States corporation.

Talk about "Innocents Abroad"! An executive, recently returned from Argentina, ran his hand through his crew-clipped, salt-and-pepper hair, "I don't mind telling you that there are times when I think we've been had." He went on to tell what had happened when his firm--an auto producer with a plant in Argentina--caught two of its employees running a theft ring.

We prosecuted, naturally; they'd nicked us pretty badly. But they were given suspended sentences because they were "poor men who had families to support." And, do you know what happened when we fired those guys? They got a court injunction, saying we couldn't do it for two years--that was to give them time to find another job. To top it off, if we do fire them

after two years, we're liable for their severance pay and other benefits. Can you beat that?<sup>54</sup>

Group-oriented societies, such as Anglo America, emphasize "fair play," and "giving the other fellow a break," and "playing the game by the rules." These values are based on the premise that a person will not take advantage of another. And, strong social pressures help insure it. Mutual trust is expected. No such value concepts exist in Latin America because mutual trust is not expected. Each person is expected to take care of himself. Latin America is not a group-oriented society, but an individual-oriented society. This value orientation provides "the individual much greater leeway in methods by which he seeks his own advancement."<sup>55</sup>

The Anglo-American culture stresses systemization which implies impersonalization. These characteristics are deemed important because they aid in achieving efficiency and maximum productivity. In Latin America, however, such values assume minor importance, and personalization takes on major importance. One effect of personalization leads to la mordida--the bite. La mordida is simple bribery and is a

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<sup>54</sup>"Labor: The 'X' Factor Abroad," Dun's Review and Modern Industry (May, 1962).

<sup>55</sup>Fayerweather, Management of International Operations, p. 28.

widespread practice in Latin America. Government officials are especially involved since many receive small salaries. La mordida is so widespread that it has become a custom-- "bribery is almost an institutionalized form of direct taxation."<sup>56</sup>

The exchange of bribes for special service is accepted and expected. This value variation is one to which United States firms find it difficult to adjust.

Fayerweather cites a case illustrating la mordida.

Soon after his graduation from business school, George Tanner entered the employment of the Daltan Company, an American firm engaged in the processing and marketing of agricultural products in the United States and abroad. Following an intensive training course in the United States and a thorough grounding in the Spanish language, George was sent to Tererro, a city of about 50,000 people, in Latinia, a country in South America.

George's assignment as production manager of the company's new soybean processing plant placed him in charge of three Americans and about eighty Latinian nationals. The American community was small and George had been instructed to consider public relations and relations with the community as an important part of his job. As a foreigner it was not felt that he could actively engage in civic affairs specifically but he was encouraged by his firm to seek membership in service and recreational clubs, and, in short, to do everything in his power to gain acceptance for himself and his firm in terms of respect by Latinians.

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<sup>56</sup>Ibid., p. 27.

During his first two months in Tererro, George lived in a hotel in the city until he could find adequate housing for his wife and family. It was the intention of the Daltan Company to build houses on company property for its American employees but this plan was unlikely to materialize for a year or two or until the company saw how its operations in Tererro seemed likely to progress. Accordingly, George finally rented a house in the town from a Latinian acquaintance and made plans to bring his family down from the United States.

Soon after his family arrived and while the Tanners were still in the hotel, awaiting word of the arrival of their household goods, George was notified that his household goods had come and were in the customs warehouse near the railway station. He commissioned a customs broker who had done work for his company and the other American firms in the area to seek entry of his goods and was surprised when, a week later, the broker reported that a technical complication had arisen and he had been unable to get the goods cleared.

Pressed for details, the broker admitted that the classifications and duties schedules were clear enough but he had not been able to get the superintendent of customs to agree to entry. He indicated that George might do better if he himself consulted with the official and this George did.

The official, whom George had met before, was cordial but evasive as long as the two were in his office and finally he suggested that they go out for coffee. During the course of the conversation in the cafe, the superintendent, obliquely but unmistakably, informed George that the goods would be admitted after payment not only of the duties but also of a fifty dollar fee to him.<sup>57</sup>

After one has a clear idea of the nature of a management

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<sup>57</sup>Ibid., pp. 37-38.

philosophy, and after he realizes that a philosophy is a collection of attitudes and beliefs, he inevitably concludes that a management philosophy is largely a product of cultural environment and heritage. If cultures differ, therefore, management philosophies may differ.



## CHAPTER VI

### AUTHORITY CONCEPTS

#### Authority Defined

The American College Dictionary defines authority as the right to determine issues, the right to command. Applied to management, authority denotes the right to plan, organize and control the activities of members of the organization in accordance with the public interest.

Authority is the life blood of management because without it, there can be no organization. Regardless of the thoroughness with which a manager plans, organizes, and controls, only chaos can result in the absence of authority.

Implied in the managerial definition of authority are interpersonal relationships in which one individual, the subordinate, follows the directives of another, the superior. But, how does one come to possess the right to command?

#### Sources of Managerial Authority

There are two important concepts concerning the source of managerial authority. One concept declares that authority

accompanies position. That is, a person has authority by virtue of his position in the organization. This authority is referred to as formal authority. The other concept is that authority is conferred upon a person by those who submit to his directives. That is, authority flows from subordinates to superiors and is known as acceptance authority.<sup>1</sup>

Formal managerial authority is associated with a position in the organization; it is delegated from superior to subordinate. From the front-line supervisor, it can be traced upward through the scalar chain to the board of directors. The board of directors is delegated authority over the enterprise by the owners. As mentioned earlier, the owners receive their authority from the Constitution which guarantees the right of private property. Since the Constitution is man-made, man can change it. That is, the citizens of the United States, if they wish, can modify and amend the Constitution. The chain of authority, therefore, begins with the citizenry and flows to owners, directors, and managers.

In delegating authority to owners, the responsibility

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<sup>1</sup>Harold Koontz and Cyril O'Donnell, Principles of Management (second edition; New York: McGraw Hill Book Co., Inc., 1959), pp. 48-51.

of the people to insure that that authority is properly used, not abused, is in no way lessened. Moreover, the people, in delegating authority, in no way lessen their authority over business. The delegator, in this case the people, always retains sufficient authority to regain all authority previously delegated (barring abdication). Managers, therefore, are subject to two aspects of citizenry authority: (1) That authority delegated constitutionally to ownership through private property rights and (2) That authority constitutionally delegated to government (for example, governmental restrictions, and regulations).<sup>2</sup>

The formal authority concept within a given enterprise is not democratic. One author explains it as a dictatorship in the sense that authority comes from above and employees have no power to replace the managers.<sup>3</sup> This characteristic makes business managers as authoritarian as military commanders. Perhaps authoritarian managership is necessary to achieve both primary and collateral objectives.

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<sup>2</sup>Elmore Petersen and E. Grosvenor Plowman, Business Organization and Management (fourth edition; Homewood, Illinois: Richard D. Irwin, Inc., 1958), p. 85.

<sup>3</sup>Melvin J. Vincent and Jackson Mayers, New Foundations for Industrial Sociology (New York: D. Van Nostrand Company, Inc., 1959), p. 243.

Democratic management, according to some managers, does not work because many persons will not voluntarily contribute to production. "Most Managements breed a bureaucratic man who fears to take action and who selects even weaker subordinates."<sup>4</sup> Such a situation seems to require benevolent autocracy.

The whole concept of formal managerial authority becomes difficult to defend when the authority chain is broken. Formal authority passes from the people to owners, to directors, to managers. There are in the United States today many management elites which are, as Drucker puts it, "responsible to no one."<sup>5</sup> That is, the stockholders are many and unorganized, and the firm owns a substantial portion of its own shares--management is self-perpetuating. This situation does not alter the fact that the people retain enough authority to regain that which is delegated; this situation does not alter the fact that part of the people's authority is delegated to government. Therefore, the people remain the ultimate authority.

The second important concept of authority, acceptance

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<sup>4</sup>Ibid., p. 246.

<sup>5</sup>Attributed to Peter Drucker by Melvin Vincent and Jackson Mayers, op. cit., p. 247.

authority, seemingly contradicts the formal authority concept. In a way, it does.

The acceptance authority concept allows the individual the opportunity to accept or reject the decision of another. If the individual accepts the decision, he is, in effect, granting authority to the decision maker. If the individual rejects the decision, he withholds authority from the decision maker. Accordingly, the decision maker's authority is granted by his "subordinates."

Acceptance authority would be better named effective authority. The term effective implies that the directive is executed; effective authority centers on subordinates' acceptance. To a great extent, acceptance authority is negatively oriented since by withholding acceptance the "subordinate" nullifies the "superior's" formal authority. But, no provision is made for submitting possible alternative decisions or for putting these decisions into effect. In this respect, acceptance authority is similar to veto power without authority to initiate legislation.

A person could have a great deal of formal authority, but if no one did as he directed, he would have no effective authority--he could not implement his decisions. Furthermore, formal authority and acceptance authority over a given sphere

of activity may be granted to different persons. For instance, the shop foreman has formal authority--authority by virtue of his position. However, there might be an informal leader (perhaps a very popular person or the person with greatest experience) who may have no formal authority but only acceptance authority. The result is the workers will perform as the foreman directs if the informal leader expresses or implies his permission.

The Korean War provided examples of formal authority without acceptance authority. In some prisoner-of-war camps officers' commands were ignored--the officers had formal authority but no acceptance authority.

Why do persons accept or reject directives? The choice is made only after consideration of the consequences of each possible choice. There are advantages and disadvantages associated with each choice. A person will accept authority if the advantages of accepting outweigh the disadvantages of accepting and/or if the disadvantages of not accepting outweigh the advantages of not accepting. By the same logic he will reject authority if the disadvantages of accepting outweigh the advantages of accepting and/or if the advantages of not accepting outweigh the disadvantages of not accepting.

The possible advantages of accepting a directive are numerous. The following list is incomplete and the items overlap somewhat, but it gives an indication of possible variations:

1. By accepting a directive, an individual may aid in achieving an organization objective which he perceives as beneficial.

2. By accepting a directive, an individual may merit the praise and respect of his peers.

3. By accepting a directive, an individual may merit rewards from his "superior."

4. By accepting a directive, an individual may be acting in accord with his moral standards and beliefs.

5. By accepting a directive, an individual may avoid assuming responsibility.

6. By accepting a directive, an individual may be reacting to personal characteristics of the "superior."<sup>6</sup>

Sometimes advantages are insufficient to induce acceptance. In such instances, the disadvantages of not accepting may compel a person to acquiesce. These disadvantages may

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<sup>6</sup>Robert Tannenbaum, "The Nature of Authority," Max D. Richards and William A. Nielander, editors, Reading in Management (Cincinnati: South-Western Publishing Co., 1958), pp. 629-30.

take the form of coercion or negative sanctions which induce or compel conformity. Often the fear of force (not necessarily physical) or the threat of loss of security is sufficient to compel acceptance. The more dependent one is on the "superior" for his well being, the less likely he is to withhold acceptance. Even though a subordinate may disagree with a decision, if his welfare depends heavily upon the "superior," he is likely to accept. For this reason, some large enterprises insure that members of their management hierarchies are financially independent. This lessens their dependency and increases their willingness to resist what they consider incorrect decisions or inappropriate policies.

An individual's refusal to accept a directive may result in his dismissal or in lawsuits. Such action is not a denial of his right to refuse to accept but, usually, a result of a violation of terms of employment. Moreover, the power to coerce someone into acquiescing is not the same as the right to command someone. One must remember that authority is the right to command; authority is not synonymous with power. Power generally accompanies authority, however. The use of power, or the threat of its use, often emphasizes the disadvantages of refusing to accept a directive and, thus, coerces acceptance.



The Latin American tends to adhere to the concept of formal authority. Several factors account for this adherence and all are rooted in the Latin American culture and tradition.

As emphasized earlier, the Latin American, a man of passion, demonstrates little interest in utilizing the scientific method.<sup>7</sup> Stated simply, the scientific method is merely a questioning attitude. Development of a questioning attitude has been retarded by three important Latin American institutions--the church, the military, and the rigid class system.

The Roman Catholic Church is not a democratic institution. Authority does not lie with its members but with Church officials. It is paternalistic, or perhaps benevolently autocratic. Church officials do not claim their authority to command from the people but from divine rights.<sup>8</sup> One's personal attitudes toward the Roman Catholic Church are, in this discussion, irrelevant. The Church has always had a great deal of influence in Latin America, and it is autocratic

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<sup>7</sup>William Lytle Schurz, This New World (New York: E. P. Dutton & Co., Inc., 1954), p. 82.

<sup>8</sup>Rev. Clarence E. Elwell, et al., The Ark and the Dove (Chicago: Mentzer, Bush and Company, 1948), p. 168.

--these are facts. These two aspects have helped condition Latin Americans to the formal authority concept. A church official does not command by virtue of his personal popularity or by the popularity of his decisions. Rather, he commands by virtue of his position within the Church.<sup>9</sup> The teachings of the Church in connection with the infallibility of the Pope have worked to strengthen adherence to the formal authority concept even in matters not directly involving the Church --for example, business.

The first Spanish to set foot in the Americas were soldiers and priests. The soldiers, conquistadores, were subject to strict discipline and understood the meaning of authority. This military background lends still more emphasis to the concept of formal authority. A military officer commands by virtue of his rank; the military must be authoritarian. While the influence of the military is still felt in Latin America, here an important fact to consider is the influence it has had on developing the concept of authority via position.

Another aspect of the military tradition is the two-class social structure. The Spanish came to conquer America.

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<sup>9</sup>Loc. cit.

The inevitable result of this conquest was a two-class society, the conquerors and the conquered.<sup>10</sup> In addition to the military influence, therefore, the resulting two-class society imbedded in both classes the notion that authority derived from position. Evidence supporting this notion was apparent to all. The patron-peon relationship, still prevalent in much of Latin America, provides more evidence. The industrial version of the patron-peon relationship, paternalism, implies dependency of the worker on his employer. Earlier the fact was stated that in Latin America the worker feels heavily dependent upon his employer to provide for his welfare and the greater the dependency the less the likelihood of refusing to accept a directive.

All of the factors mentioned have been operating for hundreds of years; all of them have been operating to broaden what Barnard calls the "zone of indifference."<sup>11</sup> That is, the Latin American's reaction to directives from those possessing formal authority has become habitual acceptance. Moreover, as noted earlier, if the Latin American is without

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<sup>10</sup>Vera Micheles Dean, The Nature of the Non-Western World (New York: The New American Library, 1957), p. 177.

<sup>11</sup>Tannenbaum, "The Nature of Authority," Richards and Nielander, editors, op. cit., p. 632.

very definite, strong feelings about some matter he tends to follow the path of least resistance. In this case, that path is unquestioning acceptance of formal authority.

Central to the acceptance concept of authority is the notion of equality among men. This notion is not widely held in Latin America.<sup>12</sup> There is little equality among men and everybody knows it. Therefore, only rarely is formal authority challenged; only rarely are a superior's decisions questioned or counter suggestions proposed.

Anglo Americans tend toward the acceptance concept of authority. They do not believe that because an individual possesses formal authority there is no alternative to compliance with his directives. Loyalty and compliance, they feel, must be earned by the quality of the person's actions.<sup>13</sup> This attitude may work to the disadvantage of Anglo-American businessmen because it could lead them into practices which they believe are democratic in order to gain the acceptance of subordinates. Some management situations call for aggressive, authoritarian leadership, not for majority-rule leadership.

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<sup>12</sup>William F. Whyte and Allan R. Holmberg, "Human Problems of U. S. Enterprise in Latin America," Human Organization, Vol. 15, No. 3 (Fall, 1956), p. 2.

<sup>13</sup>Ibid., p. 7.

### Aspects of Leadership

Management is the process of coordinating group effort to achieve desired objectives. This process requires working with and through others and, therefore, depends heavily upon the manager's ability to provide leadership.

Leadership has been defined as "a force that stimulates and motivates the members of an organization in the accomplishment of group objectives."<sup>14</sup> It involves enlisting the assistance of persons in achieving the organization's objectives or goals.

Managerial leadership always involves goals or those things to be achieved by the group. And goal determination involves conscious planning. Leadership "is not a hit-or-miss proposition where the leader has simply guessed what to do on the basis of intuition."<sup>15</sup>

As discussed earlier, the Latin American tends to ignore scientific method which is central to the planning function. Also, the Latin American was shown not to be goal-oriented in his thinking or in his action.<sup>16</sup> Since goals are

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<sup>14</sup>Davis, op. cit., p. 930.

<sup>15</sup>Burleigh B. Gardner and David G. Moore, Human Relations in Industry (third edition; Homewood, Illinois: Richard D. Irwin, Inc., 1955), p. 377.

<sup>16</sup>Salvador de Madariaga, Englishmen, Frenchmen, Spaniards (London: Oxford University Press, 1931), p. 42.

an integral part of managerial leadership, it seems likely that Anglo-American conceptions of leadership and leadership development may be unsuited for utilization in a Latin American setting.

By definition, a leader guides and directs a group toward objectives. Therefore, it is reasonable that even Latin American leaders strive toward goals. However, the question arises concerning whose goals are being pursued, the leader's, the follower's or both? The Latin American's individualistic nature, which will be discussed later, does not lend itself to sympathetic consideration of other persons' goals. The force which holds the group together stems from the leader's belief that he can achieve his goals by leading and the followers' belief that they can achieve their goals by following. Each is seeking different goals. However, the Latin American manager is not likely to make an effort to fuse his goals with employees' goals; therefore, managers and employees have few, if any, goals in common. This divergence of goals leads inevitably to the formation of an attitude of apathy toward the organization. "Work becomes a drudgery; a task which must be performed like washing the supper dishes; you do it because you have to, not because you are interested. As many an employee has put it, 'I just work

here; there's nothing in this for me.'"<sup>17</sup>

The Anglo-American concept of leadership implies teamwork, or team-mindedness among employees. That is, leadership requires the creation and development of cooperative work teams in the organization. Cooperation must exist between management and workers and among worker groups.<sup>18</sup> Especially important are teamwork and cooperation among key executives. Any friction or discord at this organization level permeates the entire organization.

To the Latin American, the individual self requires first-rate importance and co-extensive rights and privileges. He is truly individualistic.<sup>19</sup> While the Anglo-American instinctively tends toward cooperative effort, the Latin American instinctively tends away from cooperative effort.<sup>20</sup> The man of passion demands his own victory, his own triumph. The team approach to goal achievement holds little excitement for the Latin American because teamwork requires subordination

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<sup>17</sup>Gardner and Moore, op. cit., p. 387.

<sup>18</sup>Koontz and O'Donnell, op. cit., p. 436.

<sup>19</sup>Philip Leonard Green, Our Latin American Neighbors (New York: Hastings House, 1941), p. 157.

<sup>20</sup>J. Fred Rippy, Latin America (Ann Arbor, Michigan: The University of Michigan Press, 1958), p. 529.

of the individual's will to the group's will--a phenomenon which has no appeal to the man of passion.

To digress briefly, individualism helps explain the popularity of bullfights. To the Latin American individualist, the torero represents the individual in an artistic triumph over danger and death. Anglo Americans perceive it as a sadistic sport.<sup>21</sup> The Latin views it not as a sport, but as a spectacle in which an individual's bravery triumphs over his fear.

Another aspect of Anglo-American managerial leadership involves encouragement of employees to actively participate in the decision-making process. Employees directly affected by a decision are especially encouraged to participate in its determination. This aspect of managerial leadership is called participative management and is rooted in the belief that persons like to be asked for suggestions. In encouraging participation, management fosters feelings of contribution and belonging among employees. At the same time, "it is difficult to be critical of, and unresponsive to, anything which you personally have played a part in creating."<sup>22</sup>

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<sup>21</sup>Salvador de Madariaga, Essays with a Purpose (London: Hollis & Carter, 1954), p. 123.

<sup>22</sup>Gardner and Moore, op. cit., p. 392.



Employee participation does not imply employee determination of what will or will not be done. It is limited, generally, to discovering alternatives and to estimating the probable consequences of each alternative.<sup>23</sup>

While employee participation in decision determination has advantages, one must recognize that it must be applied thoughtfully--and certainly not universally.

Certain forces in the Latin American culture and social structure preclude effective utilization of participative techniques. First, these techniques require a sense of equality among men because they place the superior in the position of seeking advice from subordinates. If the superior's attitude toward subordinates is one of disdain, he is not likely to lower himself in his own eyes (and probably his subordinates' eyes, too) by seeking their advice. As mentioned earlier, because of several strong cultural influences, management views workers paternalistically. What exists is a patron-peon, father-son, master-servant relationship. This relationship, to a Latin American, is not reversible under any circumstances. In short, strong paternalism and employee participation cannot effectively co-exist.

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<sup>23</sup>George R. Terry, Principles of Management (third edition; Homewood, Illinois: Richard D. Irwin, Inc., 1960), p, 411.

George Terry, in *Principles of Management*, lists several qualifications for managerial leadership--energy, emotional stability, knowledge of human relations, personal motivation, communicative skill, teaching ability, social skill, and technical competence.<sup>24</sup> Admittedly, this list is not comprehensive, but such characteristics seem always mentioned in discussions of managerial leadership.<sup>25</sup> Some of the items listed reflect opposites of characteristics common among Latin Americans. For instance, the first item, energy, implies a willingness to work long, hard hours. Long hours of work do not appeal to the Latin American. A sign of one's success in Latin America is to be able to come and go as one chooses, or, to avoid having to work at all.

Emotional stability, the second item listed, implies

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<sup>24</sup>Ibid., pp. 447-48.

<sup>25</sup>Management theorists following the traitist approach to leadership include the following: Ordway Tead, The Art of Leadership (New York: McGraw-Hill Book Co., Inc., 1935), p. 83; C. I. Barnard, The Functions of the Executive (Cambridge, Mass.: Harvard University Press, 1938), p. 83; E. H. Schell, The Technique of Executive Control (sixth edition; New York: McGraw-Hill Book Co., Inc., 1946), pp. 15-18. Popular current texts also contain such notations; Koontz and O'Donnell, op. cit., pp. 439-40; William H. Newman, Administrative Action (Englewood Cliffs, N. J.: Prentice-Hall, Inc., 1950), pp. 325-29; Ralph C. Davis, Industrial Organization and Management (third edition; New York: Harper & Brothers, 1957), p. 35.

objectivity and consistency in action. Earlier, the point was emphasized that the Latin American cares little for objectivity and logic, but relies on emotion and intuition in making decisions.

Knowledge of human relations, listed third, is important in Latin America. This knowledge includes an understanding of people and their relationships. While the Latin American may have a vast knowledge of human relations, the people he tries to understand are motivated differently, react differently, and hold different sets of values from Anglo Americans because of cultural differences. While human relations are important to Latin Americans, their concepts of human relations have different bases and lead to different actions and conclusions from Anglo-American human relations.

In discussing personal motivations, Terry emphasizes enthusiasm and dedication. One must keep the fact in mind that in Latin America business is held in low esteem.<sup>26</sup> This disesteem impedes the generation of enthusiasm for business. Many persons seek careers in business only because they have no alternatives.

One often hears the statement that a good leader is a

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<sup>26</sup>John Fayerweather, The Executive Overseas (Syracuse, New York: Syracuse University Press, 1959), p. 95.

good teacher. In addition to telling, he shows. This characteristic is only slightly inappropriate in a Latin American setting. If demonstrating "how to" requires the superior to put himself on a level he considers lowly, he is likely to avoid demonstrations.<sup>27</sup>

According to Terry, social skill is an important characteristic in achieving managerial leadership. Included in this item, Terry says, is the ability to gain the confidence and loyalty of persons with whom one associates in the work setting.<sup>28</sup> As will be shown later, to gain a person's confidence one must first secure his trust. Mutual trust is a somewhat scarce commodity among Latin Americans because of the powerful influence of individualism and because of social class structure rigidities.<sup>29</sup>

The following figure illustrates the traits of leadership and those of nonleadership. These leadership traits are written from an Anglo-American leadership viewpoint. The items listed under nonleadership are prevalent among Latin

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<sup>27</sup>Whyte and Holmberg, op. cit., p. 36.

<sup>28</sup>Loc. cit.

<sup>29</sup>Whyte and Holmberg, op. cit., p. 34; also interviews with Dr. Robert West and Dr. John Thompson of the Louisiana State University faculty.

Americans. They are characteristics the culture has taught them. While some Anglo-American managers may possess some, or all, of the traits of nonleadership, one cannot say that they are modal. In Latin America they seem to be modal.

<u>Leadership</u>	<u>Nonleadership</u>
1. Inspires the employee.	1. Drives the employee.
2. Accomplishes work and develops the employee.	2. Accomplishes work at expense of employee.
3. Show employee how to do do his job.	3. Instills fear in employee by threats and coercion.
4. Assumes obligations	4. Passes the buck.
5. Fixes the breakdown for loss in production or sales.	5. Fixes the blame on others for loss in production or sales.

FIGURE 9

Source: George R. Terry, Principles of Management (Homewood, Illinois: Richard D. Irwin, Inc., 1960), p. 453.

### Delegation of Authority

Authority is strategic to the successful performance of the managerial functions. However, if objectives are to be achieved, authority delegation must occur. As soon as the owner of a one-man business hires an employee the delegation process begins. The superior delegates to his subordinate the

authority to perform certain assigned duties. Thus far, only operational authority is involved. But, as the organization grows a point will eventually be reached when the owner cannot effectively supervise all of his subordinates. At this point, the owner must delegate managerial authority--authority over the activities of persons--to one or more of his subordinates. Thus, a second level of management is created.<sup>30</sup> Although this example is simple, it illustrates the general process of authority delegation. The act of delegation in no way diminishes the delegator's authority (or responsibility); delegation is simply an extension of the delegator's authority.

Before delegation of managerial authority can occur, certain requisites must exist. If one of these requisites is absent, authority remains centralized. Since persons make up an organization, the requisites concern attitudes of the delegator and the delegate.

Because delegated authority must travel from superior to subordinate, the delegator's attitudes assume primary importance. One such attitude is personal receptiveness. That is, the superior must display a sincere willingness to

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<sup>30</sup>Davis, op. cit., pp. 87-88.

give consideration to the ideas of others. Most managers realize that because others' ideas differ from their own, those ideas are not, per se, any less appropriate or any less practicable. Effective managers are willing to give other persons' ideas a chance to work rather than "nipping them in the bud." To get the best performance possible from subordinates, a manager must encourage, not stifle, creative thinking. He does not allow himself to slip into thinking that his ideas are always best, his decisions are always best. Moreover, he must offer his subordinates only constructive criticism. The superior "must be willing to forego the luxury of blowing his top, of berating his assistant. To delegate authority requires that the boss limit his criticism of the individual . . . [because] to criticize is to discourage the individual's willingness to try again, to make use of the authority delegated to him."<sup>31</sup> The manager who truly delegates realizes that a subordinate will not always make decisions exactly like the one he himself would have made.

Another requisite to authority delegation is the superior's willingness to "let go," or, release decision-making powers. The saying, "If you want a thing done well,

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<sup>31</sup>John J. Corson, "How to Delegate Responsibility," Richards and Nielander, editors, op. cit., p. 621.

do it yourself," is firmly believed by only a minority of managers. An effective manager does not allow his zeal to achieve desired results to lead him into believing that he must make all decisions if the decisions are to be the right ones. Koontz and O'Donnell draw an illuminating analogy:

Well known to economists and logically indispensable, the law of comparative advantage states that a country's wealth will be enhanced if it exports those things that it produces most efficiently and imports those that it produces less efficiently, even though it can produce such imports more cheaply than any other nation. Likewise, a manager will enhance his position and his contribution to the firm if he concentrates on those tasks that contribute most to the firm's objectives and assigns to subordinates other matters, even those that he could still accomplish better and more efficiently himself.<sup>32</sup>

Besides the willingness to "let go," an effective manager is willing to let subordinates make mistakes. A subordinate should not be allowed to jeopardize the welfare of the organization, but minor mistakes can be charged as an investment in the person's development. To allow subordinates to make mistakes requires patience, restraint, and a firm belief that development of subordinate managers is of vital importance to the organization and a major managerial function.

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<sup>32</sup>Koontz and O'Donnell, op. cit., p. 92.



Successful delegation requires the superior to trust in the ability of the delegate. Without this trust, the superior tends to check constantly on the subordinate, thus, nullifying the developmental effects on the subordinate of the delegation.<sup>33</sup> When a wise manager realizes that a subordinate is not ready to handle more authority, he begins training him. But, the manager does not use "unseasoned men" as an excuse to hang on to decision-making powers.

Delegation, as noted earlier, does not lessen the delegator's responsibility. He must, therefore, be willing to establish and utilize relatively broad controls--broad to give the delegate a degree of "freedom," controls to insure that the authority is properly used.

Not all United States managers are proficient in the art of delegation, as this author points out:

Many businessmen are rediscovering an old way to get more work done--delegate.

They are recognizing that the higher a man gets up the executive ladder, the more he is judged by his success in directing other people. . . . Delegation isn't easy. The idea of handing over to someone else a job you know you can do perfectly well yourself goes against the grain for many of us.<sup>34</sup>

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<sup>33</sup>Ibid., pp. 98-99.

<sup>34</sup>Corson, "How to Delegate Responsibility," Richards and Nielander, editors, op. cit., p. 621.

Delegation "goes against the grain" for many managers simply because they wish to have a hand in everything--to earn a reputation for turning out a lot of work. In a Latin American setting, however, even stronger forces work to impede delegation.

Latin Americans, as explained earlier, have become so accustomed to authoritarianism that they expect it. They expect it not only from superiors but they follow it in dealing with their subordinates. Fayerweather touches on idea receptiveness, or, lack of it:

Quite a few new ideas and methods had come out of Mr. Torres' department. While he was undoubtedly the chief innovator in the group, other men played a big part in these ideas. Mr. Torres did not talk about their role, however. He spoke only in terms of 'I have the ideas.'<sup>35</sup>

Fayerweather went on to say that when Torres did talk about his subordinates, he discussed only their shortcomings.

Those persons accustomed to authoritarianism do not look to their subordinates for innovations or new ideas. An authoritarian is not receptive to subordinates' ideas, and thus, is not likely to delegate successfully.

Overcoming reluctance to "let go" of authority is made quite difficult by paternalistic, authoritarian attitudes

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<sup>35</sup>Fayerweather, The Executive Overseas, p. 39.

supported by strong cultural elements. Individualism, prominent in the Latin American psychological make-up, demands that the individual be the center of attention.<sup>36</sup> By making all decisions, the needs of individualism are placated and the reluctance to "let go" is further strengthened.

Willingness to allow subordinates to make mistakes is motivated by a desire to develop these individuals, to train and educate them in such a way as they are able to assume more and more responsibility. In a Latin American setting, however, the development of subordinates is of little concern. A subordinate is trained for a particular job, but, the superior is not development-minded. Reasons for this attitude are rooted in some of the Latin American characteristics already discussed, namely, individualism, impatience, and a distaste for planning. Some managers are forced into delegation as a result of the size of the organization, but they do not approach it as a means of developing breadth in the abilities of subordinates.

When the manager starts out he does not essentially believe in raising people up beneath him and helping them. He wants men under him who will do exactly what

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<sup>36</sup>Whyte and Holmberg, op. cit., p. 3; de Madariaga, op. cit., p. 46. To paraphrase Dr. Robert West, Louisiana State University, only the individual is important, not society.

he wants. He may adopt a variety of practices like personnel administration, but these are adopted with a manipulative attitude, not to make people grow, but rather to permit him to exercise his control more broadly.<sup>37</sup>

As noted already, delegation presupposes trust in one's subordinates. But, the Latin American's individualism does not permit trust in others, save members of the immediate family and a few amigos intimos.<sup>38</sup> A superior does not trust his subordinates because he knows they also are interested only in themselves. Therefore, the superior sees subordinates as a threat to his security. Such an outlook obviates delegation.

The requisite of establishing and utilizing broad controls also runs counter to the Latin American's cultural characteristics.<sup>39</sup> Probably the most important cause of his unwillingness to establish necessary broad controls, which differ from spontaneous checks, lies in the relationship between planning and control. To control effectively, one must plan effectively. Controls, even broad controls, cannot be established unless goals, policies, and subsidiary plans are established. Plans constitute the standards against

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<sup>37</sup>Fayerweather, The Executive Overseas, p. 37.

<sup>38</sup>Ibid., p. 38.

<sup>39</sup>Dean, op. cit., p. 181.

which performance is gauged. One cannot determine if performance is acceptable unless acceptable performance is defined--unless standards are established. Since adherence to a scientific approach to planning is replaced with proyectismo,<sup>40</sup> controls often take the form of checking on minute details. And, since the basis of controlling, planning, is poorly executed, the superior is without the foundation for management by objectives, or results-oriented controls.

The discussion of delegation and the forces in the Latin American's make-up which impede delegation have centered on the delegator, or superior. Certain factors and forces among subordinates also militate against delegation. Most of these factors deal with the status structure and will be discussed later, but one factor needs inclusion here. Successful delegation implies the presence of subordinates who are willing to accept authority, assume the corresponding responsibility, and are able to handle the authority effectively. The fact that superiors are disinterested in

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<sup>40</sup>Proyectismo, in its connection with planning, consists of constructing plans without critical analysis and then assuming the plans to be an accomplished fact. "It includes elements of such common phenomena as daydreaming and wishful thinking, but goes beyond them in the extent to which the individual is caught up in belief and identification with his schemes as a form of reality." Fayerweather, The Executive Overseas, p. 65.

developing capable subordinates indicates that subordinates frequently are incapable of coping with increased authority. Moreover, the subordinate learns to cope with authority only through experience in exercising it. Thus, the whole concept of delegation in a Latin American setting becomes "a vicious circle."

Without effective delegation, and all it implies (for example, subordinate development), the size to which an organization can grow is seriously limited. It is limited to the size of the personal spans of its top executive or executives. The spans of time, knowledge, and energy limit the number of persons a manager can effectively supervise and thus set limits on the size of the organization. This point is important to Latin America's industrialization. ". . . if sovereign rule persists as the prevailing system of authority in a society, it will retard and eventually strangle successful industrialization. Conversely, industrial development may be significantly accelerated if the appropriate means are found to delegate authority and decentralize administration in both economy and business management."<sup>41</sup>

Delegation includes authority extension to others

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<sup>41</sup>Harbison and Myers, op. cit., p. 45.

besides subordinate "line" personnel. It includes the authority to study, to research, to investigate, to analyze, to recommend--it includes staff authority. If the manager performs all the activities commonly delegated to staff personnel, he is limiting his "spans." Marion B. Folsom, former Secretary of Health, Education and Welfare, views it this way: "It is my own view that an important factor in the tremendous increase in our economy's productivity over the last fifty years has been the addition of qualified staffs to aid in the planning and decision-making process."<sup>42</sup> The requisites to effective delegation of authority to line personnel and to staff personnel are conspicuously absent in Latin America.

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<sup>42</sup>Marion B. Folsom, Executive Decision-Making (New York: McGraw-Hill Book Company, 1962), p. 5.

## CHAPTER VII

### HUMAN RELATIONS

#### Definition

Prior to about 1930, management's attitudes toward employees were paternalistic, authoritarian, and benevolently autocratic.<sup>1</sup> At best, the attitudes reflected little more than attempts at pushing employees to produce by establishing and utilizing standards, rewards, and penalties.<sup>2</sup> At about 1930, however, management's attitudes began to change, largely as a result of the Western Electric studies.<sup>3</sup> These studies introduced drastically different viewpoints and approaches to employee relations. Instead of attempting to force employees to produce, the new orientation emphasized the creation of a

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<sup>1</sup>I. L. Heckmann and S. G. Huneryager, Human Relations in Management (Cincinnati: South-Western Publishing Co., 1960), p. 2.

<sup>2</sup>William H. Knowles, Personnel Management (New York: American Book Company, 1955), pp. 34 ff.

<sup>3</sup>For a detailed description of the Western Electric Studies see F. J. Roethlisberger and W. J. Dickson, Management and the Worker (Cambridge, Mass.: Harvard University Press, 1939).



relationship among persons and groups of employees which would make them want to produce effectively. By calling forth a high degree of voluntary effort, management would achieve increased productivity and employees, as individuals, would satisfy their needs. The new approach would act to fuse, therefore, the objectives of both management and individual employees. This new approach became known as "human relations."

The term human relations has many usages--a meaningless label, a study of communications, a synonym for industrial sociology, an interdisciplinary approach to industrial relations, and an ethical approach to personnel problems.<sup>4</sup> However, one definition of the term seems particularly lucid and useful: "Human relations is a process of effective motivation of individuals in a given situation in order to achieve a balance of objectives which will yield a greater human satisfaction and help accomplish company goals."<sup>5</sup>

#### Elements of Human Relations

To fully comprehend the degree of appropriateness of Anglo-American human relations in a Latin American setting,

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<sup>4</sup>Knowles, op. cit., p. 98.

<sup>5</sup>William G. Scott, Human Relations in Management (Homewood, Illinois: Richard D. Irwin, Inc., 1962), p. 43.

one must first acquaint himself with the basic elements of human relations.

An individual's background is composed of three elements, namely, heredity, experience, and environment (see Figure 10). This background shapes his attitudes toward persons, institutions, and all the elements of his surroundings. From attitudes are derived motives which determine behavior.

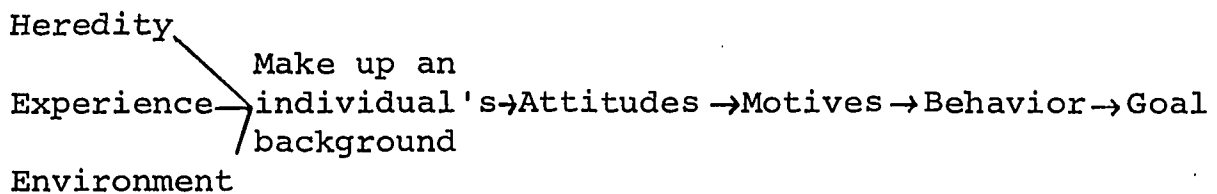


FIGURE 10

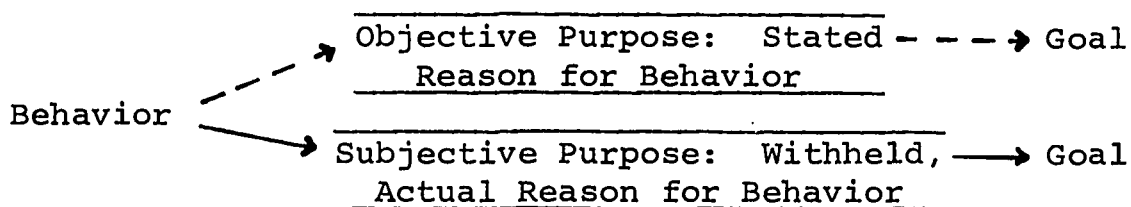
#### THE COMPOSITION OF BEHAVIOR

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Source: Adapted from William G. Scott, Human Relations in Management (Homewood, Illinois: Richard D. Irwin, Inc., 1962), p. 77.

Attitudes can be divided into two categories--logical and nonlogical. Logical attitudes, which prompt logical behavior, link directly the means of goal achievement and the ultimate goal or an intermediate goal. Nonlogical attitudes, which lead to nonlogical behavior, prompt a statement of an

objective reason for behavior but the true reason is different and the true goal is different. The individual may not be totally aware of the true reason and goal. Nonetheless, the stated reason and goal are different from the true reason and goal as shown in Figure 11.




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Source: William G. Scott, Human Relations in Management (Homewood, Illinois: Richard D. Irwin, Inc., 1962), p. 79.

FIGURE 11

#### NONLOGICAL ATTITUDES

Most of human behavior contains nonlogical elements because men are not logic machines. Men have feelings, emotions, and conscious and subconscious biases. Moreover, the very classification of attitudes into "logical" or "non-logical" may be based on nonlogical conceptions. What is a logical attitude to one person may be nonlogical to another. And when attempts to categorize the behavior of persons in another culture by standards of one's own culture, the process

becomes exceedingly complex. For instance, in Japan one avoids forcing another into a face-losing situation. This is why a Japanese peasant hesitated and appeared confused and befuddled when a tourist asked directions to a particular town. As it turned out, the tourist was not only heading in the proper direction but was less than a mile from the town. But the peasant, hesitated and acted confused because he did not wish to embarrass the tourist who asked a question which had an obvious answer. The tourist, on the other hand, thought the peasant quite ignorant.

Attitudes influence the development of work motives by influencing the basic psychological and social motives, as illustrated in Figure 12.<sup>6</sup> The derived work motives listed are only a few of the possible reasons people work. Furthermore, the order of importance of the motives changes as the most important motive is satisfied, moves down the list, and is replaced by another. The order of importance of the motives varies from person to person in the same culture group as well as among culture groups.

As one can tell from the list, management plays an

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<sup>6</sup>Investigation of the derived work motives of security and income indicated that they are quite similar in Latin America and in the United States. Therefore, they are not discussed in this paper.

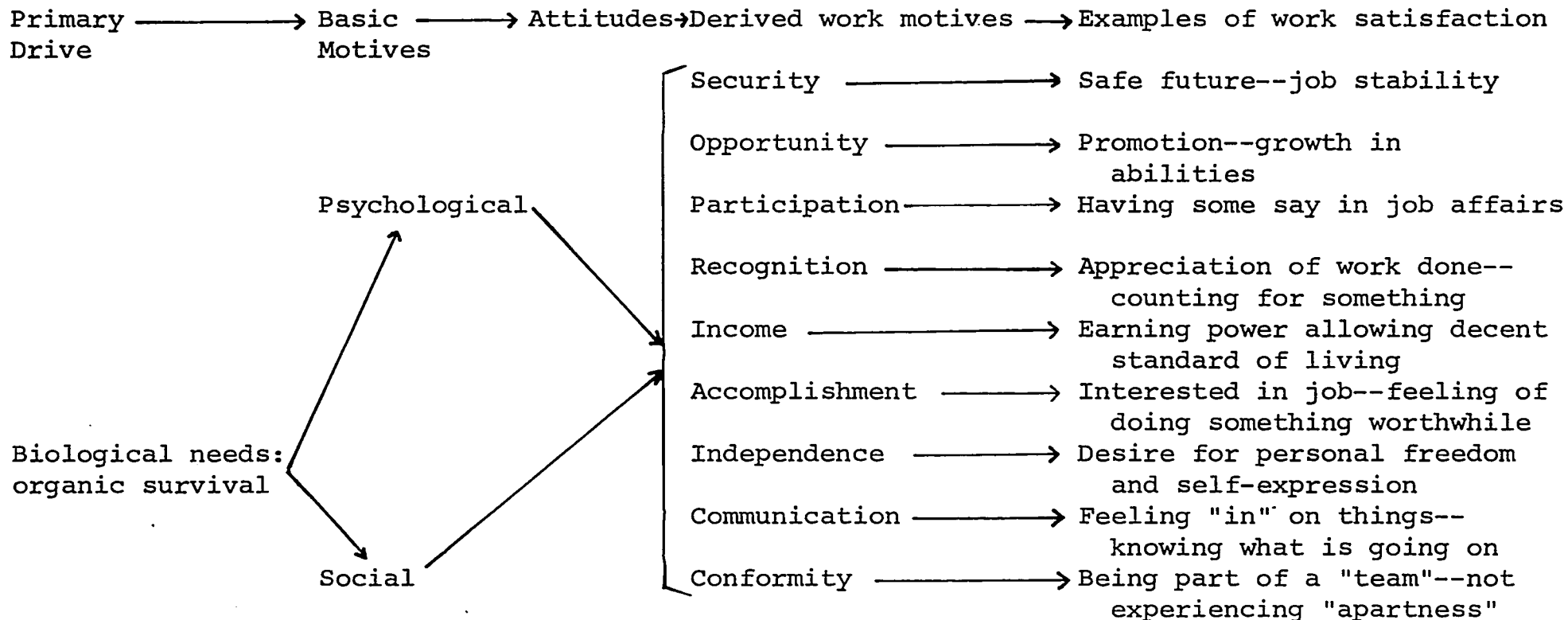


FIGURE 12

#### DERIVED WORK MOTIVES AND SATISFACTIONS

Source: Adapted from William G. Scott, Human Relations in Management (Homewood, Illinois: Richard D. Irwin, Inc., 1962), p. 81.

important role in the satisfaction of the derived work motives. Employees can satisfy some of the motives by themselves, but proper management action can facilitate satisfaction.

Motivations are a function of three elements, namely, strength, expectancy, and incentive.<sup>7</sup> Strength refers to the relative position of a motive in the individual's hierarchy of motives. This position indicates the level or urgency of fulfillment. The probability of fulfillment is included in expectancy. The third element, incentive, takes into account the rewards hoped for by obtaining the goal. Motivational strengths can be expressed by the equation:

$$\text{motivation} = \text{strength} \times \text{expectancy} \times \text{incentive}.$$

Among many Latin Americans, some of the derived work motives carry zero, or even negative values for expectancy and incentive.<sup>8</sup> History has taught Latin Americans that certain motives cannot be satisfied. Therefore, Latin Americans instinctively assign low values to expectancy and incentive and, eventually, low priority on the motive itself.

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<sup>7</sup>William G. Scott, Human Relations in Management (Homewood, Illinois: Richard D. Irwin, Inc., 1962), p. 83.

<sup>8</sup>William F. Whyte and Allan R. Holmberg, "Human Problems of U. S. Enterprise in Latin America," Human Organization, Vol. 15, No. 3 (Fall, 1956), p. 37.

### Opportunity

Opportunity implies a chance to progress in a company through promotion and through the development of one's abilities. It also implies choice of occupations and absence of barriers to upward social mobility.

Ingrained in Anglo-American culture is the conviction that each person has a right to choose and enter any occupation he desires. Anglo-American society holds that each person has the freedom to choose an occupation which is different from his father's and that each person must be allowed to fix his own vocational goals and to strive for their achievement.<sup>9</sup>

In some societies of the world, sons almost always follow the occupations of their fathers. Tradition and the social structure require it. In the Anglo-American society, however, tradition makes no such requirement. Rather, tradition encourages each person to choose his occupation according to what he is interested in doing, and to choose an occupation suited to his native ability, personality, or physical strength.<sup>10</sup>

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<sup>9</sup>Charles B. Spaulding, Industrial Sociology (San Francisco: Chandler Publishing Company, 1961), p. 98.

<sup>10</sup>Ibid., p. 100.

Anglo-American society not only allows freedom of choice, but encourages each individual to choose an occupation which will afford a sense of achievement or self-fulfillment. The occupation should fit the individual's interests, aptitudes, and talents. Though what is preached is not always followed, Anglo-American society believes that a person's occupation should not be predetermined by accident such as the occupation of one's father, one's race, or one's creed. While evidence is available which shows that all men in fact are not created equal (for example, variances in intelligence), the conviction persists that all man have equal opportunities. In 1945 a national survey was taken in which the question was asked, "Would you say that your children had just as good a chance, a poorer chance, or a better chance to rise in the world as anybody else's?" Of the business, professional, and white-collar workers queried, 95 per cent replied that their children had as good or better chances than those of others. Of the people in all other occupations, 83 per cent replied in the same fashion. The smallest percentage of respondents believing their children had equal or better opportunities as other children



occurred among unskilled workers--79 per cent.<sup>11</sup> The belief is prevalent, but is it well founded? The belief is substantially true, as illustrated in Table XXIII. Though most sons do not follow the occupations of their fathers, sons tend to follow similar occupations. The most important point to consider is not whether or not a son inherits his father's occupation, but that he is not forced to follow an occupation just because his father followed it.

In Latin America, much less occupational choice exists. This limitation is especially prevalent among the lower classes where education and vocational training are severely limited. The University of Chile, for example, has about one per cent of the nation's student population but receives ten per cent of the nation's educational allocation. Meanwhile, 20 per cent of the total school-age population or older is abandoned as illiterate.<sup>12</sup>

As an example of unequal opportunities for all, children of operatives only rarely are able to take advantage of

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<sup>11</sup>Richard Centers, "Attitude and Belief in Relation to Occupational Stratification," The Journal of Social Psychology, 27:159-83, May, 1948, and quoted in Spaulding, op. cit., p. 101.

<sup>12</sup>George M. Korb, "Getting Ahead in Chile," America, Vol. 107, No. 21 (August 25, 1962), 648.

TABLE XXIII  
COMPARATIVE OCCUPATIONAL INHERITANCE

Occupational Stratum of Father	Occupations of Sons (Percentage)								
	Large Business	Professional	Small Business	White Collar	Skilled Manual	Semi-skilled Manual	Unskilled Manual	Farm Owners & Managers	Farm Tenant or Laborer
Large business owner and managers	50	19	6	25	--	--	--	--	--
Professional	15	32	17	10	12	5	2	5	2
Small business owners and managers	10	11	32	24	8	10	1	3	1
White collar	8	9	10	45	9	7	5	6	1
Skilled manual	6	6	8	17	31	20	7	4	1
Semiskilled manual	1	2	6	11	22	43	10	4	1
Unskilled manual	*	6	5	10	17	20	37	4	1

\*Less than .5 per cent.

Source: Charles B. Spaulding, Industrial Sociology (San Francisco: Chandler Publishing Company, 1961), p. 102.

the tuition-free university in Chile. "While they constitute about 75 per cent of the population, they account for less than two per cent of the enrollment at the University of Chile."<sup>13</sup>

Occupational mobility from generation to generation is, in large measure, a function of the general social class mobility; satisfaction of the opportunity drive is closely related to social class mobility.

While social classes exist in every society, the meaning and importance of social classes vary from society to society and from country to country. In societies where wide economic gaps exist between classes, wide social gaps also exist between classes. But in societies where a greater degree of economic equalization exists, there is more opportunity for a person to move to a higher position in the social class structure. In the United States, for instance, the economic gaps between classes are much narrower than in areas like Asia, Africa, or Latin America. By the same token, greater opportunity exists in the United States for a person to move up in the social structure than in Latin America. Compared with other social structures, the United States has

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<sup>13</sup>Loc. cit.

a great deal of plasticity. Anglo Americans can move vertically in the social structure; and what is equally important, they feel relatively at ease when they cross class boundaries. "It has often been noted by social scientists that the strongest force acting against the formation of class consciousness in America was the existence of a powerful faith on the part of the masses that ability and hard work insure success and that opportunities are free and equal to all."<sup>14</sup>

A mobile social structure is a potent motivating power. The knowledge that a man can better himself will spur him into making the necessary sacrifices of time and effort to gain success. That is, most men will take advantage of an opportunity to better themselves. This whole concept can be condensed into one word--optimism. The people of the United States are fundamentally optimistic. They believe that the future will be better than the present, and that they can shape their own futures. Indeed this is good reason to work harder.

Societies which are sharply structured offer little opportunity for a person to raise his social position. A

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<sup>14</sup>Richard Centers, The Psychology of Social Classes (Princeton, New Jersey: Princeton University Press, 1949), p. 146.

person born into a lower class will stay, in all likelihood, in the lower class.<sup>15</sup> In Latin America if a person does manage to raise his social position, he probably will try to hide the fact that he was born into a lower class.<sup>16</sup> This attribute is quite unlike the characteristic of many United States businessmen who, apparently, are proud of their humble beginnings. In Latin America, however, being from a lower class complicates situations in which a businessman must deal with members of a higher social class. A person's background sets fairly definite limits on the sort of work for which he is acceptable and how far he can progress.<sup>17</sup> For instance, a person with a lower-class background is not likely to ever rise above the level of a first-line foreman. By the same token, only rarely will a Latin American do work which will appear to put him in an inferior status. College graduates, for instance, are not assigned to sales work for training as is common in the United States.

From the Latin American viewpoint, this is a "naturally

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<sup>15</sup>Whyte and Holmberg, op. cit., p. 2.

<sup>16</sup>John Fayerweather, The Executive Overseas (Syracuse, New York: Syracuse University Press, 1959), p. 91.

<sup>17</sup>Ibid., p. 93.

ordained world of inequality, oppression, and suffering which if lived right would produce its reward, . . . heaven."<sup>18</sup> The belief prevails that some men are born to lead and to be wealthy and successful while others are born to be poor and to follow--nothing can change this. Regardless of how hard a person works or how diligently he applies himself, there is little chance for him to move out of the class into which he is born. This aspect of motivation is especially applicable to members of the lower classes but reaches into the middle classes as well. For example, not often is a person chosen from the middle class in Latin America to become sales manager if the position requires personal contacts with persons of higher social-class standing. Neither does he know how to handle himself in such circumstances nor is he readily accepted by those of higher social standing.<sup>19</sup> Why, then, should a person work hard? Why should a person make sacrifices in an effort to get ahead when the chances of bettering himself are so slim and the obstacles to overcome so great? Thus, many Latin

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<sup>18</sup>Whyte and Holmberg, op. cit., p. 10.

<sup>19</sup>John Fayerweather, Management of International Operations (New York: McGraw-Hill Book Company, Inc., 1960), p. 29.

Americans resign themselves to their fates and destinies. This attitude, prevalent among the masses of Latin America, can be summarized in one word, pessimism. As one author states it:

Certain aspects of traditional cultures will be inimical even to limited economic change. Thus de-emphasis of the material and of the present as contrasted with the esoteric, the spiritual, and other worldliness hardly stimulates one to hard work. It is not likely to provide a rational mechanism of incentives and rewards. On the contrary, it dampens aspirations for economic improvements and it may choke off whatever revitalized zeal for material creation and accumulation some members of the community may display.<sup>20</sup>

### Participation

Another derived work motive, shown in Figure 12, is participation, or, the opportunity to contribute to decisions by having some voice in job affairs. Employee participation in the decision making process is gaining increased utilization in the United States as a motivation technique. Successful utilization of this technique depends upon a willingness among employees to assume responsibility and a sense of team cooperation. Moreover, the superior

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<sup>20</sup>Adamantios Pepelasis, Leon Mears, and Irma Adelman, Economic Development (New York: Harper & Brothers, 1961), p. 164.

must be willing to allow participation.

Among Latin Americans the requisites to employee participation are generally lacking. Employees are not likely to display enthusiasm for assuming responsibility because of the "built-in pessimism."<sup>21</sup> Rewards for responsibility assumption are absent. Perhaps more important is the reluctance of superiors to allow underlings to participate. Employee participation in the decision-making process is a reversal of the patron-peon, master-servant, paternalistic relationship which is almost instinctive among Latin Americans.

### Recognition

Mentioned invariably in management texts is the fact that men crave recognition for work well done. Praise and recognition are considered important elements in achieving harmonious relationships, especially with peers and subordinates. To receive recognition, when recognition is due, develops and strengthens one's incentive to do even better. Likewise, the absence or withholding of recognition kills incentive. "If work is disregarded or goes unrecognized by expressed approbation, the inducement to further effort often

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<sup>21</sup>Whyte and Holmberg, op. cit., pp. 11, 28.



disappears, and interest is lost because frustration produces an attitude of 'What's the use.'"<sup>22</sup>

Recognition is not so widely used as it probably should be in United States business. However, in Latin American enterprises it is used even less frequently. The strong patron-peon system of relationships precludes utilization of this technique. In situations where acute awareness of class differences exists and both the "master" and "servant" are ever cognizant of their relative positions, one does not praise a subordinate for doing a job efficiently and effectively--that is the way the subordinate is expected to perform. One does not reward performance of expected quality.

Perhaps an even stronger force disallows recognition satisfaction--individualism. As a result of being concerned primarily with one's own welfare (or that of his immediate family), one does not tend to do things which might substantially improve the lot of others. When a fellow is "down," the tendency is to keep him "down." One author cites this incident which illustrates the point:

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<sup>22</sup>Elmor Petersen and E. Grosvenor Plowman, Business Organization and Management (fourth edition; Homewood, Illinois: Richard D. Irwin, Inc., 1958), p. 475.

When an industrialist complained of the low productivity of his workers, the American engineer said that their lack of skill was obvious and recommended a training program for the plant. The industrialist declined because 'as soon as they get trained, they will go elsewhere to earn more money.' The American engineer replied: 'But if they produce more, you can meet the wage scale of any of your competitors.' The Chilean still declined. He wanted productivity, but he didn't want it enough to share the gains with his workers.<sup>23</sup>

The real reason for declining seems apparent--one does not, in Latin America, help the other fellow "up" once the other fellow is "down."

#### Accomplishment

In some societies, the United States for example, the work itself has great importance to an individual. Work has social approval and is considered virtuous while idleness is wrong or even evil. These attitudes, components of the Protestant Ethic, are not found in all societies. They are not found in Latin America, for instance. Work, especially manual labor, is not particularly rewarding or gratifying.<sup>24</sup> It is viewed, therefore, with disdain and is something to be avoided if possible. While routine, monotonous work is not

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<sup>23</sup>Korb, op. cit., p. 649.

<sup>24</sup>Interviews with Dr. Robert West and Dr. John Thompson, Louisiana State University; Whyte and Holmberg, op. cit., p. 9.

generally the most sought after type in the United States, longer exposure and greater discipline make it less distasteful to United States workers (for example, assembly line work). To the impulsive Latin American, a man of passion, such work stifles creativity and freedom of expression and, thus, he finds no satisfaction in it.<sup>25</sup> Since the Latin American, by his very nature, is disinterested in the type of work industrialization requires, the task of arousing a feeling of accomplishment is made exceedingly difficult.

The Latin American is much more interested in leisure time. In the United States, the relatively high cost of labor makes leisure very expensive. Such is not the case throughout much of Latin America, especially since one does not stand to gain much from industriousness. "In certain Latin American communities an enormous amount of time and effort is spent on the local fiestas. In rural areas, as much as one-third of one's time, in addition to Sunday rest, is spent on festive activities."<sup>26</sup>

While such activities reflect unemployment and underemployment, it also reflects, and more clearly, a way of

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<sup>25</sup>Pepelasis, et al., op. cit., p. 165.

<sup>26</sup>Fayerweather, Management of International Operations, p. 266.

life. Life is much more than uninteresting, monotonous labor that goes to creating material comforts of life--it is more than endless hard work. "Thus, people with very low incomes, who may remain unemployed for long periods during the year, rarely would engage in humdrum activities such as cultivating vegetable gardens or painting the local school, which could improve their level of living."<sup>27</sup> If workers, because of cultural influences, dislike physical labor, the task of fostering feelings of accomplishment becomes one of changing cultural attitudes--necessarily a slow, gradual process.

### Independence

Satisfaction of the accomplishment motive is closely related to satisfaction of the independence motive. This latter motive involves the chance to satisfy the desire for personal freedom and self-expression.

With industrialization comes division of work, or job specialization. At some point, depending on the activity involved, the specialization process displaces freedom of expression in one's work. When, for instance, the job of building a chair is divided into many subjobs and assigned

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<sup>27</sup>Pepelasis, et al., loc. cit.

to several persons, the pride of craftsmanship may be destroyed. Destroyed along with pride of craftsmanship may be the independence motive, the satisfaction of free expression.

The important thing about overspecialization is not the fact that it reduces employees to routine repetitive tasks; there are many persons who actually enjoy, or at least do not actively dislike routine jobs. The important thing is that employees, by the nature of their work, become aware of management's lack of respect for them. They cannot help but realize that they are hired, not because they are wanted and accepted as a whole man, but because they have two hands and a foot that can be used to operate a punch press.<sup>28</sup>

The ill effects of specialization are important considerations among United States businesses despite the fact that United States workers have long been exposed to it and have had a long time to become accustomed to it. The ill effects of specialization are multiplied many times over when specialization is introduced in areas where the culture of the people places high value upon spontaneous, free expression of one's feelings. Specialization emphasizes systems, procedures, and methods, all of which are restraints on self-expression, and all of which, therefore, run counter

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<sup>28</sup>Burleigh B. Gardner and David G. Moore, Human Relations in Industry (third edition; Homewood, Illinois: Richard D. Irwin, Inc., 1955), p. 388.

to the Latin American's psychological make up.

An incident, perhaps, will illustrate the point. A tourist in Mexico came across an attractive chair which he liked and bought. Two days later, he returned and asked the maker to produce five more. Immediately the maker doubled the price of the chairs. When the tourist protested, the Mexican explained that he had to have that price because he would get so bored doing the same thing five times over. In short, the Latin American tends to oppose that which limits or regulates his personal liberty. In writing of the Spanish influence on Latin America, Schurz notes, "Every Spaniard should carry in his pocket a charter of privileges with the single provision--that this Spaniard is authorized to do what he wants to do."<sup>29</sup>

### Communication

Practically every activity of every person in an organization involves, in one form or another, an act of communication with others. The efficiency of an organization depends on the degree of coordination effected and the degree of coordination effected, in turn, depends heavily

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<sup>29</sup>William T. Schurz, This New World (New York: E. P. Dutton & Co., Inc., 1954), p. 82.

upon effective communication.

Language differences loom as obvious obstacles to effective communication and administration. A person in a foreign country has two choices: (1) learn the language of the host country, or (2) communicate through interpreters.

Learning the language of the host country may prove to be a difficult task requiring a great deal of effort. But it has advantages. One such advantage is the effect that knowing the language will have on the relationships with nationals with whom one must come into contact. The more effort a person devotes to learning the native language and the more facility he shows in its use, the more favorable will be his impression on his foreign colleagues. They will feel that he respects their language and country and, consequently, are indirectly complimented.

On the other hand, if a person makes no effort to gain some degree of competence in the language, the nationals are likely to feel that he does not respect their language and country and, consequently their pride is injured and their egos deflated.<sup>30</sup> Such negative reactions certainly do not foster harmonious personal relationships.

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<sup>30</sup>Fayerweather, Management of International Operations, p. 17.

If a person does not choose to learn the language, but relies completely on native interpreters, he is taking two risks: (1) the native may seem to know more English than he actually does. He may carry on a fairly clear conversation, but may actually understand only parts of what he hears. (2) The native acting as interpreter is likely to be United States-oriented. This orientation creates the danger of bias in reports and interpretations of events--the native might be inclined to say what he thinks the foreigner wants to hear.<sup>31</sup>

Even in view of the effort required to learn the language of the host country, this seems the best approach to overcoming the language obstacle to effective communication and administration.

Communication is a form of man's behavior, and man's behavior is a reflection of his attitudes and cultural heritage. Differences, therefore, in cultural backgrounds can create many obstacles to effective communication.

To better understand the influence of culture on the communication process, one must first understand that

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<sup>31</sup>Loc. cit.



process.<sup>32</sup> Since communication is a form of behavior, it, like all behavior, occurs in response to a stimulus. This stimulus, or, these stimuli, are happenings which may come from within a person, or from outside a person. Regardless of their source, the stimuli have an impact on one's nervous system in the form of sensations. After the impact is made, the individual evaluates and interprets it instantaneously. The evaluation of the impact determines the response which one makes, for example, fighting or running. The whole process, shown in Figure 13; requires only an instant.

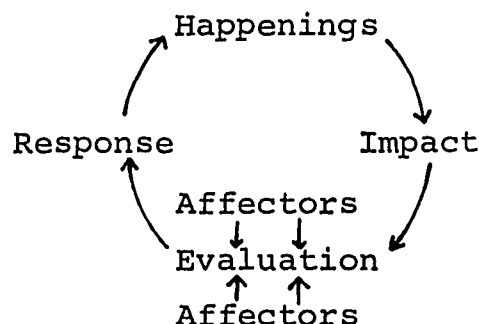


FIGURE 13

## THE COMMUNICATION PROCESS

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Source: William V. Haney, Communication (Homewood, Illinois: Richard D. Irwin, Inc., 1960), p. 5.

<sup>32</sup>For a comprehensive examination of the communication process, see William V. Haney, Communication (Homewood, Illinois: Richard D. Irwin, Inc., 1960).

The influence of one's cultural background plays on the evaluation and response elements of the process. Evaluations are affected by one's total make-up--his attitudes, habits, experiences, abilities, physiological and emotional state, experiences, education, hereditary factors, and others. These elements, called affectors, influence one's evaluation of the impact and, thus, influence the types of subsequent responses.

Considering the nature of affectors (habits, attitudes, and so forth), it is not surprising that one's total background plays such an important role in communication. The variations in types and intensities of affectors are plentiful even among persons of the same general culture.<sup>33</sup> But, when two persons of drastically differing cultures attempt to communicate, more obstacles are created because each utilizes his own culturally-oriented affectors. All too frequently the result is a situation similar to the one portrayed in Figure 14. The net effect is two different responses. That is, the persons arrive at different

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<sup>33</sup>The emphasis placed on communication in business and current research into the communication act are reflections of an awareness that within the Anglo-American culture there are many obstacles to effective communication yet to be discovered and explained.

evaluations of an impact because of the different sets of affectors at work. The different evaluations naturally lead to different responses. For instance, as noted earlier, United States values favor directness and frankness, especially in spoken communication whereas Latin American values favor indirectness.

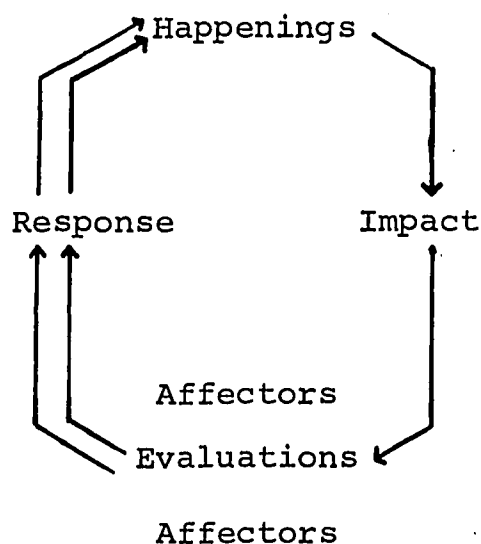


FIGURE 14

POSSIBLE COMMUNICATION PATTERNS OF PERSONS  
OF DIFFERING CULTURES

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Source: Adapted from William V. Haney, Communication  
(Homewood, Illinois: Richard D. Irwin, Inc., 1960), p. 5.

In an Anglo-American organization, downward communication is likely to be more direct and frank than upward communication. Nonetheless, directness is desirable in communication traveling in either direction. In Latin America, however, indirectness is frequently necessary because the objectives of the communication are perceived differently.<sup>34</sup> In a democratic society the superior has a duty to tell the subordinate where he stands, what his shortcomings are, and how he can improve himself. The emphasis, actually, is on the future and on subordinate development--how future activities or functions can be better executed. In Latin America, basically authoritarian, the superior seeks obedience in his subordinates and shows little concern for their development.<sup>35</sup> This attitude contrasts with the Anglo-American objective since the United States manager tries to elicit voluntary effort and improvement as well as obedience. The Latin American evaluates the frankness in the criticism in the authoritarian context (that is, his set of affectors). He does not perceive the constructive side of the criticism, only the criticism itself. He understands the critique as unilateral dictates and not as one side of a democratic

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<sup>34</sup>Fayerweather, The Executive Overseas, p. 163.

<sup>35</sup>Interview with Dr. Robert West, Louisiana State University.

exchange of suggestions and viewpoints. He reacts, therefore, defensively and the open, two-way communication frankness is supposed to elicit is closed off. An example will illustrate the point.

Ralph Hughes was sent to Mexico as general manager of the Kew Company. He was an able, straightforward engineer who had come up through the domestic production organization. When he arrived in Mexico, he found a number of things about the factory operation which he thought could be improved. He had great respect for Mr. Trevino, the production manager, but he did not think his approach was good on these points. As was his practice, he told Mr. Trevino exactly what he thought was wrong. He assumed Mr. Trevino might disagree with him and he was prepared to admit he was wrong if Mr. Trevino had a good argument. He was surprised when Mr. Trevino accepted all his criticisms with only a few minor objections. He concluded that Trevino was a very alert and amenable fellow who was going to be a good man to work with.

Mr. Trevino, meantime, was deeply troubled by this experience, his first significant encounter with the new manager. He came to the conclusion that if Mr. Hughes was displeased with so many aspects of his work, it must be that he did not like him and he was prepared to resign. Fortunately, he talked with Mr. Smith, the sales manager, who was also from the United States but had been in Mexico for several years. Mr. Smith expressed some surprise because he said Mr. Hughes had spoken very highly of Mr. Trevino. That same day Mr. Smith talked with Mr. Hughes, who was equally surprised. Characteristically, Mr. Hughes called Mr. Trevino right in and reported his conversation with Mr. Smith. Then he explained that he considered Mr. Trevino a fine production manager and his criticisms were just his way of doing things. Eventually the two reached a modus operandi

and were able to work well together. Mr. Trevino, however, was a rather exceptional man. . . .<sup>36</sup>

Unfortunately, different sets of affectors were in operation.

### Conformity

Another of the important derived work motives is conformity, that is, to be part of a team and to do what others are doing. In contrast to this Anglo-American motive, the Latin American, as noted earlier, is highly individualistic. Thus, the relationships he builds are not conducive to group effort; moreover they militate against group effort. Of the individualistic person, Schurz says:

First of all, it is himself who matters. . . . From this homocentric ego, his regard may move outward to take in other individuals, those bound to him by ties of love or blood or friendship. Into the impersonal and collective gloom which lies outside that restricted circle of sentimental attachments, his myopic gaze does not penetrate. For it is peopled by neighbors, fellowcitizens, and foreigners--anonymous abstractions all, except as their members happen to impinge, perhaps momentarily or involuntarily, on his own personality. All through life his guard is up against the intrusion of the nameless ones from beyond the intimate circle.

Such a person is loath or unable to merge his identity with others, just because they live near him or in the same country, much less the same planet. . . . It is very difficult for him to sacrifice the interests of his own personality to

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<sup>36</sup>Fayerweather, The Executive Overseas, pp. 164-65.

the demands of group action or enterprise. He is devoid of the civic or neighborly virtues. . . . He does not wish to "integrate" or "co-ordinate" anything or anybody. Associations and assemblies, clubs and committees, congregations and congresses, whatever form the free coming together of men for a serious purpose may take, are not to his liking. . . . Sharing in an organization subtracts too much from [his] ego, and, lone wolf that he is at heart, in the final reckoning he himself is all that he can be certain of. . . . [His] collective incapacity and aversion to group action are evident in every field of endeavor.<sup>37</sup>

In the first part of the preceding quote, friends were mentioned. The words friends and friendship, to a Latin American, have different meanings than they have to one from the Anglo-American culture. To the Latin American, these words (rather, the Spanish equivalent) do not include great personal loyalty or mutual understanding. One author who investigated Latin American friendships put it this way: "Attitudes toward friends are especially interesting. Thirty-seven out of forty-two students responding showed either neutral or marked hostile attitudes toward their friends. Both personal observation and literary sources show the intimate loyal 'best friend,' el amigo intimo, to be very important . . . but many students thought such friends to be

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<sup>37</sup>William L. Schurz, This New World (New York: E. P. Dutton & Co., 1954), pp. 92-93.

very rare."<sup>38</sup> Friendships, in Latin America, tend to be mutually advantageous alliances rather than the Anglo-American brand of friendship. Such alliances are important, but are usually only temporary and do not replace underlying distrust and hostility which are characteristic of individualistic persons.

#### Administrative Relationships

A person of the individualistic type attempts to achieve a high degree of self-sufficiency. In his work relationships, the person with individualistic characteristics tries to shield himself from those around him because he does not trust them. While associates may be honest people, the individualistic person places little trust in them because he feels they would take advantage of him if they were given a chance. Therefore, he maintains a relatively isolated position and is not "out-going." He always is concerned with his own position and is aware of the feelings of others only in so far as those feelings may constitute a threat to him.

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<sup>38</sup>Ralph L. Beals and Norman D. Humphrey, No Frontier to Learning (Minneapolis: University of Minnesota Press, 1957), p. 42.



The size of the circles in Figure 15 depicts the degree of attention the individualistic person gives his superiors, peers, and subordinates. As noted earlier, he is not likely to employ consultative techniques in his relationships with subordinates. He trains his subordinates for a particular job, but he is not concerned with their development. If one of the subordinates becomes too competent, the superior reasons, the subordinate may take his job. These attitudes contrast sharply with those of Anglo-American group-oriented persons (see Figure 16).

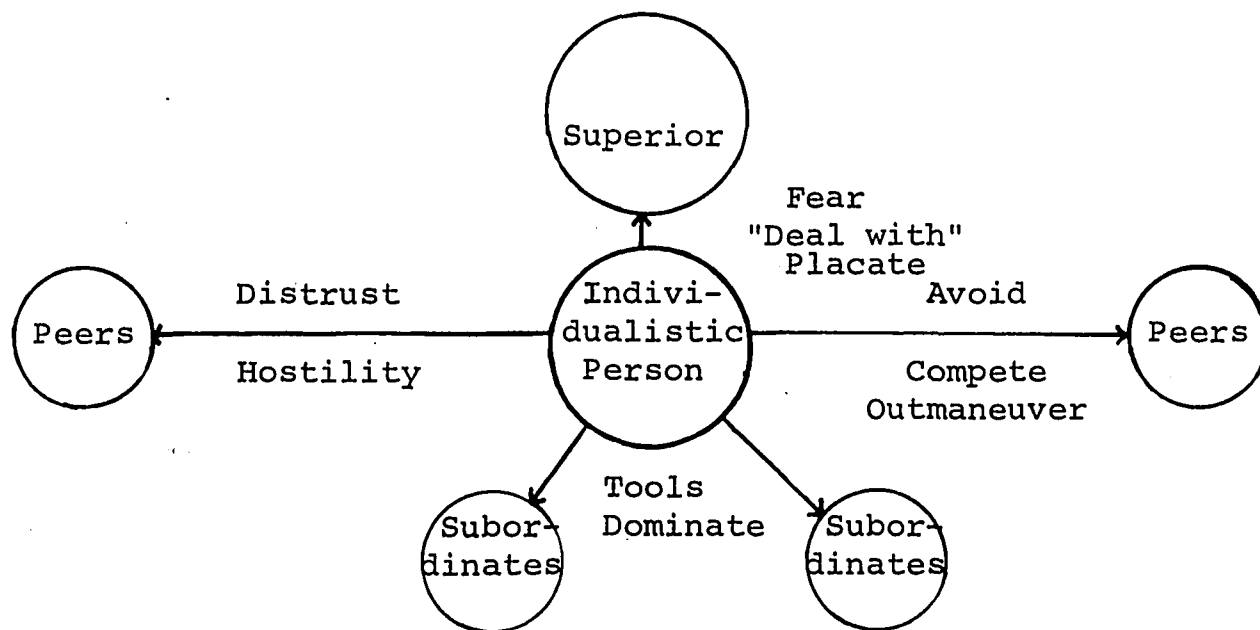


FIGURE 15

#### SOCIAL ATTITUDES OF INDIVIDUALISTIC PERSON

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Source: Adapted from John Fayerweather, The Overseas Executive, p. 32 and John Fayerweather, Management of International Operations, p. 23.

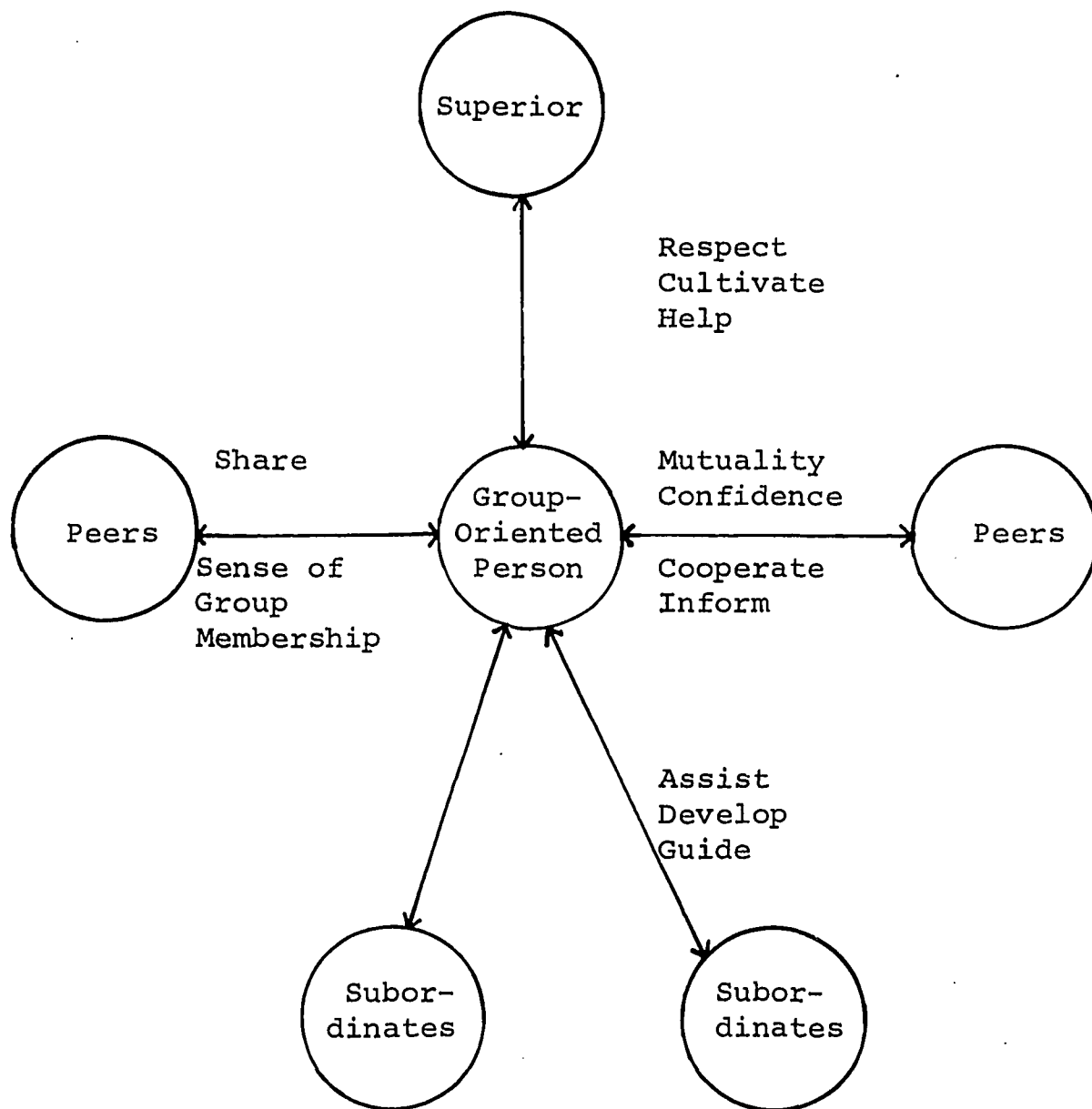


FIGURE 16

## SOCIAL ATTITUDES OF GROUP ORIENTED PERSONS

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Source: Adapted from John Fayerweather, The Overseas Executive, p. 32, and John Fayerweather, Management of International Operations, p. 23.

The individualistic person holds similar views of his peers. He perceives them as potential threats to his position and, for example, is reluctant to give them information which they might use against him. This characteristic alone is enough to render most line-staff relationships relatively fruitless.

In his dealings with his superior, the individualistic person constantly schemes to put himself in a favorable light. He may even withhold important information from his superior if that information will discredit him, in the slightest degree, with his superior. To stay on the "good side" of his superior is his prime objective. This objective, coupled with a generally submissive attitude of a subordinate in an authoritarian system of relationships, leads the subordinate to question decisions only rarely, if ever. If the subordinate is strongly opposed to a certain decision, he may handle the situation the way he feels it should be handled without ever saying anything to the superior. The individualistic person would rather take a chance that the superior would not find out that the order was countermanded than to question the decision outwardly.

The individualistic person's relationships with his subordinates were explained earlier. It was noted that the

superior generally distrusts, exploits, and "bosses" his subordinates and thinks of them in the patron-peon tradition. In addition, the superior is little concerned with their development and reluctant to delegate authority to them.

### Family Ties

The family and family ties are important aspects of the Latin American setting. Latin Americans have strong feelings toward members of their families. Family, in Latin America, includes aunts, uncles, cousins and relatives via marriage. Family ties in the United States are much weaker and include loyalties only to parents, brothers, and sisters.

Frequently, a person becomes successful in Latin America through family "connections" and influence. Relatives are expected to help each other to get ahead.<sup>39</sup> This practice is entirely socially acceptable. In contrast, the Anglo-American tends to put more emphasis and importance on a person's ability to "make it on his own," without family help and influence. The feeling of equality among men leads to the attitude that each man should prove his ability in

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<sup>39</sup>Vera Micheles Dean, The Nature of the Non-Western World (New York: The New American Library, 1957), p. 181; Whyte and Holmberg, op. cit., p. 4.

order to reap the benefits of success.

The importance of family ties results from several factors. In areas such as Latin America, where people are tied to the land, "kinship obligations and bonds are more fundamental than in the relatively mobile advanced economies. In the extended family, relationships cover persons outside the immediate blood connections. Here, the family performs functions and provides services that in the industrial societies are taken over by impersonal social institutions."<sup>40</sup>

Throughout the myriad duties and responsibilities of management, one finds a common denominator--people. No matter what function or responsibility one might mention, it will involve people. In a foreign business management situation, the actions and reactions of native personnel are likely to be puzzling, at times. The better one understands the behavior-prompting forces in the foreign culture, the less puzzling that behavior becomes. The Latin American works out of an entirely different context from his Anglo-American neighbors. At least one noted author, Vera Micheles Dean, does not consider Latin America as even a part of the western world.<sup>41</sup>

Because of cultural differences many of the Anglo-American practices and approaches to human relations may strike a discord in a Latin American setting.

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<sup>40</sup>Pepelasis, et.al., op.cit., p. 169.

<sup>41</sup>Dean, op.cit., p. 173.

## CHAPTER VIII

### CONCLUSIONS AND SUGGESTIONS

#### Conclusions

The hypothesis of this study, as set forth in the first chapter, states that United States management philosophy is not entirely appropriate and applicable in a Latin American setting because of differences in heritage and cultural attitude. This writer concludes that the hypothesis is correct. More specifically, the conclusions are:

1. To determine the appropriateness of United States management philosophy in a Latin American setting, one must become aware of certain important social and economic elements of that setting. Latin America has not achieved a high degree of social maturity or economic advancement. The lack of social maturity in Latin America is reflected in such phenomena as the high illiteracy rate, the large number of people per physician, the inadequate road and transportation systems, and the inadequate education facilities. Latin America's lack of economic advancement is illustrated by such

factors as the low gross national product and per capita income, the scarcity of heavy industry, and the heavy dependence in many nations upon a one-crop agricultural economy. By most standards of the Western world, Latin America is among the economically underdeveloped areas of the world.

2. The United States and Latin America are heavily dependent upon each other in an economic sense. This interdependence is likely to increase in the years to come through further expansions in trade and further increases in United States direct private investments in Latin America. As United States direct private investments in Latin America increase, and as people from the United States go abroad to manage those investments, knowledge and understanding of the appropriateness of United States management philosophy in a Latin American setting will become more and more important.

3. The Latin American culture stems mainly from the culture of Spain while the Anglo-American culture stems mainly from the culture of England. Since the cultures of England and Spain were different (and still are different), the Latin American and Anglo-American cultures differ considerably.

4. United States businessmen and management

academicians believe that management is at least in part a science and therefore embodies principles which can be set down, codified, and communicated. On the other hand, Latin American businessmen feel that management is an art and, therefore, cannot be set down, codified, and communicated.

5. Inherent in the United States philosophy of management is the frequent utilization of the scientific method as a tool of management. The Latin American makes little use of the scientific method because of his strong tendencies toward impatience, impetuosity, and spontaneous expression of feelings. Thus, while the Anglo-American attempts to employ logic to arrive at decisions, the Latin American relies mainly upon intuition and emotion.

6. The economic and political elements of the United States management philosophy hold that economic decisions should be decentralized. This element, therefore, is opposed to monopoly power in government, business, and labor. In Latin America, instances of monopoly power are plentiful, especially in government and business.

7. As a result of the influence of feudalism, the Catholic Church, and the role of the father in the family, employers in Latin America hold, at best, a highly paternalistic attitude toward employees. Moreover, employees expect



and accept a paternalistic attitude on the part of employers. Because of the disregard in Latin America for persons of the lower classes, the commodity attitude toward labor frequently is held. Paternalistic and commodity attitudes toward workers are not held so commonly in the United States. More commonly held in the United States is the attitude that employees are mature, adult individuals who can think for themselves and whose dignity and rights deserve respect.

8. Because of the generally low social status of businessmen in Latin America, recruiting and selection of management personnel are hampered. Moreover, because of the low social status of business, it is difficult to generate enthusiasm and pride among employees toward their work.

9. Even though Latin America and Anglo America are both primarily Christian, standards of ethical behavior differ. Frequently, behavior that would be unacceptable in the United States is accepted in Latin America and vice versa.

10. As a result of the strong influence of the Catholic Church, the military tradition, and the rigid class system, the Latin American tends to adhere to the formal concept of managerial authority. The Anglo American, on the other hand, tends more toward the acceptance concept of

managerial authority because of the characteristics of the culture which emphasize equality among men and foster a questioning attitude.

11. The Latin American, because of his individualistic nature, cares little for group effort or teamwork. This characteristic leads him to delegate as little authority as possible. The Anglo American tends strongly toward group or cooperative effort. There is a general feeling in the United States that authority should be delegated as far down the scalar chain as possible, consistent with the ability to manage that authority.

12. Because of differences in the social structures and the psychological elements of the cultures of Latin America and Anglo America, many of the work motives that receive emphasis in the Anglo-American approach to human relations hold little or no appeal to Latin Americans.

In view of these differences between the United States and Latin America, one must conclude that the United States management philosophy is not entirely appropriate in a Latin American setting.

### Suggestions

Knowledge of how and why the Anglo-American and Latin American cultures differ is vital to the effectiveness of the

Anglo-American manager in a Latin American setting. More specifically, the Anglo-American manager should know what implications those cultural differences have for management.

The Latin American's reliance on intuition and emotion in decision-making situations will hamper the advancement of management in Latin America and will lessen the Anglo-American manager's effectiveness in the Latin American setting. To overcome the possible ill effects of ignoring scientific method in the decision-making process, the Anglo American must build rapport with his Latin American colleagues; he should use a consultative approach to the development of subordinates. A part of this consultative approach should be the consistent use of the question "Why?" The Anglo-American superior must acquire the habit of asking his Latin American subordinates to explain their decisions--to show how they arrived at particular solutions. When the Latin American realizes that he will have to explain and justify important decisions, he will be forced to think through the problem--even if it is to justify logically a decision made on the basis of intuition. Eventually, the Latin American may begin to think through a problem carefully before making a decision.

The problems of delegation of managerial authority,

development of subordinate managers, and development of trust in one's peers and subordinates are all closely related. Without delegation of authority, there is little subordinate manager development. The main reason for parsimonious delegation is lack of trust in subordinates. To break this vicious circle, a catalyst is required. If a firm is not expanding or attempting to expand, there is not a pressing need, generally, for further delegation, for greater subordinate manager development, or for greater trust in one's peers and subordinates. The catalyst is some phenomenon which enhances and emphasizes the desirability of expansion of the firm. When the need to expand is experienced, opportunities to better one's position will appear throughout all levels of the business firm. Under these circumstances the delegation, development, and trust problems become less difficult. If a manager cannot be classified as promotable until he has a suitably trained subordinate to fill his position when he is promoted, considerable subordinate manager development activity is likely to occur. To develop and train a subordinate manager adequately, the superior must delegate more and more authority commensurate with the subordinate's progress. Only through the actual exercising of authority does one become a more effective

manager. With the delegation of more authority and the development of subordinate managers, the fear that subordinates will "know too much" or that one of the subordinates will push the superior out of his job will tend to disappear along with the lack of trust.

The United States philosophy of management is not appropriate in a Latin American setting because of cultural differences between the two areas. A person is not born with the characteristics of a culture. Rather, he learns through experience what behavior is acceptable in his society and what behavior is unacceptable in his society. The characteristics of the Anglo-American culture are learned--the characteristics of the Latin American culture are learned. In addition, culture is man-made and, therefore, can be changed by man.

The Latin American lower classes have learned from hundreds of years of experience that one rarely, if ever, is rewarded for assuming responsibility, for displaying unusual industriousness, for questioning a superior's judgment, or for helping another to improve himself. In short, experience has imbedded a deep sense of pessimism, a sense of fatalism and hopelessness. These characteristics, since they are learned, can be changed provided the proper

motivations and incentives to change are employed.

If Latin America could be isolated from the rest of the world, eventually Latin Americans would develop a philosophy and pattern of management which, perhaps, would be entirely different from the United States philosophy and pattern of management. The Latin American philosophy and pattern might be unique and perfectly suited to the Latin American culture. Obviously, isolation of Latin America is neither possible nor desirable. On the other hand, the blind application in Latin America of the United States philosophy and pattern of management is neither possible nor desirable. In all likelihood, as more United States direct private investments are made in Latin America and as more Anglo-Americans go there to manage those investments, a philosophy and a pattern of management will develop which will be neither exclusively Latin American nor exclusively Anglo-American. The philosophy and pattern which develops likely will reflect both Latin American and Anglo-American influences.

The Anglo-American manager in a Latin American setting must be an effective salesman and teacher. He must first sell his Latin American peers and subordinates on trying his techniques and practices of management. After the Latin

Americans are convinced to the extent that they are willing to try those techniques and practices, the Anglo-American manager must teach those techniques and practices to them. Change will come slowly. But if the Latin Americans can be induced to "go through the motions" of those techniques and practices, the process of change can be quickened.

From this writer's Anglo-American viewpoint, the biggest obstacle to effective management in Latin America is the lack of education for business. One of the reasons business administration is not taught in Latin America, it would seem, is the low social status of business. Raising the prestige level of business is largely a matter of education. The business community, through a concerted effort, can change the public's image of business and businessmen by showing how business helps the community and why business is not a parasite on the community. As the public's image of business is improved, more able young men will be attracted into the career opportunities offered by business.

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## VITA

Eugene C. McCann, son of Steven John and Irene Mary McCann, was born on the third day of January, 1933, in Cleveland, Ohio.

He attended parochial schools in Cleveland, Ohio, and was graduated from St. Ignatius High School in Cleveland, Ohio, in 1951. He attended Notre Dame University from June, 1951, to February, 1952, and then transferred to the University of Cincinnati. He received the Bachelor of Science degree in Education from the University of Cincinnati in January, 1956. From February, 1956, to December, 1957, he attended Michigan State University while serving as an instructor at that university.

After receiving the degree of Master of Arts from Michigan State University in December, 1957, he entered Louisiana State University as a graduate student and held a graduate assistantship in the Department of Management and Marketing from January, 1958, to August, 1959. In September, 1959, he became an instructor and Assistant to the Dean of the College of Business Administration. Since June, 1960,

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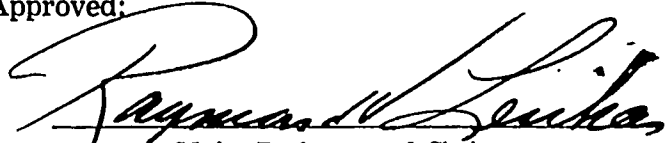
# EXAMINATION AND THESIS REPORT

Candidate: Eugene C. McCann

Major Field: Business Administration

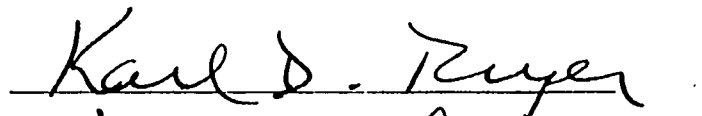
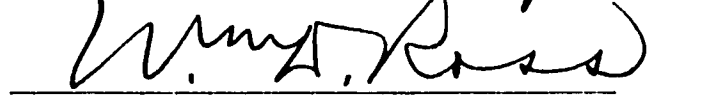
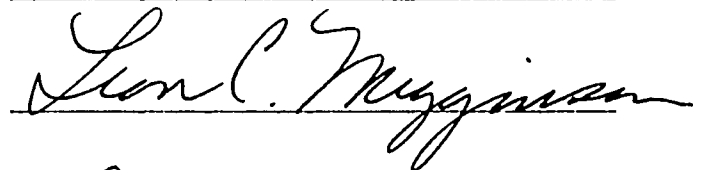

Title of Thesis: "Appropriateness of United States Management  
Philosophy in a Latin American Setting"

Approved:

  
Major Professor and Chairman

  
Dean of the Graduate School

## EXAMINING COMMITTEE:

Date of Examination:

January 15, 1963